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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- US markets rally on Fed dovish tone
- PM May seeks to renegotiate the Brexit deal with the EU
- Italy's economy slips into recession
- China's economy loses momentum

US markets, most notably the NASDAQ, made substantial gains towards the end of the week with solid earnings coming from Boeing, Apple and Facebook. The main driver, however, came from Federal Reserve Chair Jerome Powell stating that the Fed would be 'patient' regarding further rate hikes in 2019.

In the UK, due to MPs voting to apply the 'Brady Amendment' to the current Brexit deal, PM May, who spent a year and a half putting together her version of the best possible deal is returning to Brussels to renegotiate the Irish backstop with the EU. The EU, however, soon after the vote stated that it is unwilling to reopen negotiations. Parliament is due to vote on the 14th February on her updated deal.

Over in Europe, Italy slipped into recession as their economy contracted by 0.2% in Q4 2018. These new figures mark the third recession in Italy since the financial crisis of 2008.

More positive European news came from France, where despite the impact of the 'Gilet Jaune' protests, GDP held steady at 0.3% as exports increased significantly, which in turn offset slowing consumption growth. Germany and Spain also avoided technical recessions as Q4 data was released, with Spain actually seeing a slight acceleration in growth of 0.7%.

In Asia, China's first major economic announcement of 2019 showed a contraction in manufacturing output for the second month in a row. The new PMI data suggests there are signs of pressure on the economy, as figures from both December and January were below 50, both indicating shrinkage of the economy.

Looking at commodities, suggestions of easing trade tensions between the US and China, as well as US sanctions on oil imports coming from Venezuela, helped support crude prices which have had their best January on record, after advancing 18% in January. Global bank Citigroup Inc. have also suggested that prices may rise by a further $10 a barrel within a month or two due to speculative repositioning.

Gold held near a 9 month high this week, after the dovish comments from the Fed reaching $1,326.33/oz on Thursday, with global holdings in bullion backed ETF's surging to 70.6 metric tons in January bringing assets to the highest in almost six years.

The German 10 year bond yield touched its lowest level in over two years this month at 0.149%, with speculation growing that they could drop below 0% this year. Italian bonds, which have had a tough time recently have also gained due to the prospect of a more supportive ECB.

Global Markets	2018 YTD %*
FTSE 100	+1.97%
S&P 500	+6.91%
Dax	+3.77%
Nikkei 225	+6.20%
Hang Seng	+9.07%
Fixed Income	**Yield %**
UK 10 Yr	+1.23%
US 10 Yr	+2.63%
Commodities	**2018 YTD %**
Gold	+3.02%

Source: FE Analytics/ Bloomberg.com **Total Return/Local currency*

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