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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- Brexit deadline extended past the 29th March
- UK CPI inflation rises slightly from a 2 year low
- Bank of England keeps interest rates at 0.75%
- The Federal Reserve promises no rate hikes in 2019
- Palladium hits an all-time high on tight supply outlook

The U.K Prime Minister, Theresa May, travelled to Brussels this week to try and convince the 27 member states of the European Union to vote for an extension of the Brexit deadline, and move it back to the 30th June. PM May, however, did not get her way, with EU leaders crafting a new approach to the final stages of the Article 50 process. A new and updated version of the twice rejected Brexit deal must now be proposed and voted on by Parliament within the coming weeks. If Parliament vote to pass the new version of the deal, then Britain will have until the 22nd May to complete its withdrawal from the EU, however, if the MPs decide to vote against the deal for the third and final time, the exit date will only be delayed until the 12th April. If there is no agreement in place by then, and the UK chooses not to participate in European elections, a "no deal" scenario is most likely.

The annual rate of change in the UK's consumer price index rose in February to 1.9%, but remained below the Bank of England's (BoE) inflation target of 2%. The BoE also voted to leave interest rates at 0.75%, as policymakers noted that softening in GDP and trade growth had continued.

The UK labour market continues to defy the global slowdown as employment rose by 222,000 from November to January. Employment is now at a record high after the biggest jump in over 3 years. Pay growth also maintained its fastest pace in over a decade.

In the US, the Federal Reserve announced that there would be no more interest rate hikes in 2019, after economists initially predicted three hikes. Generally, no rate increases would be seen as a positive for equity markets, as lower interest rates incentivise more borrowing and lending by companies. US equity markets actually dipped soon after the announcement though, as the rate decision was followed by comments from the Federal Open Markets Committee on the slowing of growth in the U.S, and how the slowdown is being worsened by the steepening economic slowdowns of Europe and China. The dovish tone of the Federal Reserve's announcement pushed 10 year bond yields down across the board in the U.S (-0.02%), Germany (-0.05%) and the UK (-0.08%).

Finally, looking at commodities, the stand out performer this week was palladium. The precious metal rose to an all-time high on Thursday, hitting $1,620.75 per ounce due to a tight supply outlook. There are potential supply cuts coming from Russia, as the trade and industry ministry is considering a temporary ban on the export of precious metals from May to October this year.

Global Markets	2019 YTD %*
FTSE 100	+7.76%
S&P 500	+12.01%
Dax	+7.77%
Nikkei 225	+10.55%
Hang Seng	+14.85%
Fixed Income	**Yield %**
UK 10 Yr	+1.06%
US 10 Yr	+2.50%
Commodities	**2019 YTD %**
Gold	+2.30%

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

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