

# Weekly Investment Update

29<sup>th</sup> March 2019



## Global News

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**Brexit** - This week has been quite volatile in the Houses of Parliament. After Parliament voted to take control of the Brexit process on Monday, it looked like there could be a “Plan B” to PM Theresa May’s deal. However, all of the 8 motions proposed in Wednesday’s vote were defeated, leaving PM May in charge to make a final desperate plea to get her Brexit deal approved on Friday to avoid a big delay to Britain’s exit from the EU. If the deal is rejected for the third time, the EU has stated that the UK will have to decide between leaving with a “no deal” on the 12<sup>th</sup> April or face a long delay that would require Britain to take part in the European Parliament elections, which is not the preferred choice for either party.

**US China trade talks** – Trade talks resumed between the two parties, with US Treasury Secretary Steven Mnuchin and US Trade representative Robert Lightizer holding meetings with Chinese representatives to finalise a trade deal to put forward to President Trump and President Xi Jinping. The focus was to check that both the English and Chinese versions of the deal translated well, as previously the Chinese version of the deal omitted certain comments made by negotiators. Mr Mnuchin stated on Friday, that talks in Beijing were constructive, and he looked forward to continuing talks next week in Washington next week. White House Economic Adviser Larry Kudlow, says that the US is willing to extend talks by weeks or even months to reach a sustainable deal. Positive comments from the week’s meetings gave Asian equity markets a boost, with the Shanghai Composite gaining 3.2% overnight.

## Market Summary

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**Global Equities** – Equity markets climbed globally on Friday to finish of a very strong first quarter, as investors gauge the growth outlook and hopes of an agreement in the US China trade talks looks more likely.

Asian markets responded positively to US Treasury secretary Steven Mnuchin’s comments around US-China trade talks and finished the week strong, with The Shanghai composite, CSI 300, Nikkei 225 and Hang Seng all finishing the week in positive territory.

The S&P 500 (+0.63%), Nasdaq (+0.43%), Dow Jones IA (+0.79%) all finished higher for the week to Thursday, with Friday’s futures also trading slightly higher.

The FTSE 100 (+0.85%) and Euro Stoxx 600 (0.75%) gained slightly over the week as investors weigh up Brexit decisions.

Turkey's equity benchmark, BIST 100, suffered its biggest one-day drop since July 2016 on Wednesday, dropping 5.67%. Renewed volatility in the Lira prompted equity investors to sell ahead of Sunday's local presidential elections.

**Commodities** – Oil (WTI & Brent Crude) prices are on track for their biggest quarterly rise since 2009, due to on-going OPEC supply cuts and US sanctions on Iran and Venezuela. Oil prices fell briefly further on Thursday as US President Donald Trump tweeted that he felt it was “very important” that OPEC increased the flow of crude, stating that prices are “getting too high”, however, this didn't affect the market for too long, as prices finished higher.

Gold fell below its support level of \$1,300 due to US dollar strength, with the dollar acting as a better hedge against Brexit and the US-China trade talks.

Palladium fell for three consecutive days this week, with Wednesday seeing the biggest one day drop in more than two years due to technical selling and profit taking.

**Fixed Income** – The US 10 year (+2.36%) and US 3 month (+2.45%) treasury yields inverted further this week, after initially inverting last Friday for the first time since 2007. The last nine times the yield curve has inverted, a recession has followed.

The UK 10 year bond yield slipped below 1% on Thursday, hitting +0.97%, while the 10 year German bond yield (-0.067%) remains negative and are holding just above two and a half year lows.

**Currency** – The British pound staged a rally against the US dollar and euro at the start of the week as MPs voted in the Houses of Parliament to take control of the Brexit negotiations, giving the possibility of a second referendum, staying in the EU customs union, as well as stopping Brexit all together. As all of the 8 proposed amendments were voted on and defeated, sterling quickly declined as a possibility of a “no deal” came back to the table.

The Turkish Lira had a volatile week against the US dollar, trading down c.5% on Thursday alone, and continuing its decline on Friday (USDTRY 5.6421 Friday open). The factors impacting the Turkish Lira include: Increasing tensions between Turkey and the US, The upcoming Presidential elections, and a lack of confidence around the economy among Turks, prompting them take up record holdings of dollars and gold over Lira.

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
<ul style="list-style-type: none"> <li>- EU Inflation figures</li> <li>- US retail sales data</li> <li>- US Manufacturing PMI data</li> </ul>		<ul style="list-style-type: none"> <li>- EU Retail sales</li> <li>- US ADP employment report</li> </ul>	<ul style="list-style-type: none"> <li>- US jobless claims data</li> </ul>	<ul style="list-style-type: none"> <li>- US non-farm payroll data</li> <li>- US unemployment data</li> <li>- EU employment rate (qq,yy)</li> </ul>

## Market Performance

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<b>Global Market Indices</b>	<b>2019 YTD %*</b>
<b>FTSE 100</b>	<b>+7.08%</b>
<b>S&amp;P 500</b>	<b>+11.73%</b>
<b>Dax</b>	<b>+6.13%</b>
<b>Nikkei 225</b>	<b>+8.40%</b>
<b>Hang Seng</b>	<b>+12.72%</b>
<b>Fixed Income</b>	<b>Yield %</b>
<b>UK 10 Yr Gilt</b>	<b>+1.02%</b>
<b>US 10 Yr Treasury</b>	<b>+2.41%</b>
<b>Commodities</b>	<b>2019 YTD %</b>
<b>Gold</b>	<b>+0.77%</b>
<b>Currency</b>	
<b>GBP/USD</b>	<b>1.31 (29/03/19)</b>
<b>GBP/EUR</b>	<b>1.17 (29/03/19)</b>

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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