

Weekly Investment Update

03rd May 2019



Global News

US interest rate – The US Federal Reserve announced on Thursday that they would keep interest rates unchanged, citing a lack of inflation pressures and low unemployment. Keeping the rate low and unchanged would usually reflect positively in equity markets, but investors were actually expecting a rate cut, as President Donald Trump had been demanding the rate be dropped by a whole percentage point to try and further influence growth. On the back of this, US markets slipped lower.

US-China trade talks – US Treasury Secretary Steve Mnuchin and US Trade Representative Robert Lighthizer returned to Beijing on Wednesday, to further discuss the trade deal. Secretary Mnuchin stated afterwards that the trade talks were “productive”, adding that the Vice Premier Lui He will return to Washington next week to continue negotiations. The two sides are now getting closer to a deal with a hope of having a finalised deal to put to Donald Trump and Xi Jinping within the coming weeks.

UK interest rate – The Bank of England (BoE) kept the UK’s base rate at 0.75% on Thursday due to Brexit uncertainty. The BoE also raised its forecast for UK growth to 1.5%, up from 1.2%, as economic data points towards a healthier global economy.

Eurozone economic growth – The eurozone economy regained lost momentum in the first quarter of 2019, giving fresh evidence of resilient global growth, amid ongoing trade tensions with the US and contracting export demand from China. The data from the EU statistics agency stated that the combined GDP of the 19 eurozone countries increased by an annualised 1.5% in the first quarter, much higher than the previous quarter growth figure of 0.9%. Further to this, the euro-area headline inflation rate hit 1.7%, beating all expectations, making additional stimulus by the ECB less urgent. Policymakers are now expressing confidence that the euro economy is stabilising.

Market Summary

Global Equities – Equity markets had a mixed week, as more key economic data was announced. The S&P 500 and Nasdaq Composite indices slipped lower after reaching record highs, as poor revenue figures from the Alphabet Group and the Fed’s interest rate decision contributed. Major European and UK indices gained slightly due to positive economic data, and the Hang Seng had a boost from positive news around US-China trade talks.

Commodities – Oil prices (Brent Crude & WTI) fell to a one month low this week, as the US Crude inventory growth figure surprised the market, with US sanctions on Iran and Venezuela are having little effect on prices this week. The market forecast growth of around 1.3m barrels, however, the increase came in at 9.9m barrels, a level not seen since November. Gold prices fell further this week, as the US dollar rallied following the Federal Reserve’s announcement on interest rates.

Currency – There was volatility in currency markets this week, while Japan and China markets were closed due to extended holidays. The US dollar rallied this week, as the Federal Reserve saw no reason to cut interest rates, and Sterling fell as the BoE lifted its growth forecasts but warned that Brexit continues to blur the outlook for monetary policy.

Chart of the week

U.K. Surprises the Most Economic reports have been better than expected amidst Brexit turmoil



Source: Bloomberg 02/5/19

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
			<ul style="list-style-type: none"> - China CPI data - US jobless claim - US PPI inflation 	<ul style="list-style-type: none"> - US CPI

Market Performance – 2/5/19

Global Market Indices	2019 YTD %*
FTSE 100	+10.96%
S&P 500	+16.97%
Dax	+16.68%
Nikkei 225	Closed
Hang Seng	+19.64%
Fixed Income	Yield %
UK 10 Yr Gilt	+1.20%
US 10 Yr Treasury	+2.56%
Commodities	2019 YTD %
Gold	-0.84%
Currency	
GBP/USD	1.3032 (02/5/19)
GBP/EUR	1.1663 (02/5/19)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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