

Weekly Investment Update

10th May 2019



Global News

US-China trade talks – In a campaign rally on Wednesday, US President Donald Trump stated that the Chinese trade representatives “broke the deal” that had previously been discussed. President Trump was unhappy, as he accused China of back tracking on their stance on provisions set out in a draft deal that the US considered settled. President Trump went ahead with the original plan, and raised tariffs from 10% to 25% on \$200 billion worth of goods imported from China on Friday. China are now likely to retaliate with their own tariff increases, which will affect around \$30 billion worth of goods which include commodities such as corn, wheat and soy.

UK economy growth – The UK economy grew by 0.5% in the first quarter of 2019, up from 0.2% growth from the last quarter of 2018, matching expectations. Brexit stockpiling and consumer spending stimulated the growth in the first quarter, but disappointing figures in March suggest that a slowdown may well be on the way.

Market Summary

Global Equities – Equity markets responded negatively to President Trump’s rhetoric surrounding trade talks. Major indices slipped on Monday, and continued to slide throughout the week as investors shunned riskier assets, choosing instead to invest in safe haven assets. The S&P 500, Dow Jones IA and NASDAQ composite all suffered significant losses, Asian shares hit a six week low, and the Euro Stoxx 600 hit a four week low, as automakers led the retreat.

Commodities – Oil prices (WTI & Brent Crude) continued their decline for a third week of losses, as surprise US inventory declines were not enough to push the price higher as trade talks escalated. On the back of trade tensions, gold prices increased, reaching a 3 week high on Wednesday of \$1,290.54 per ounce.

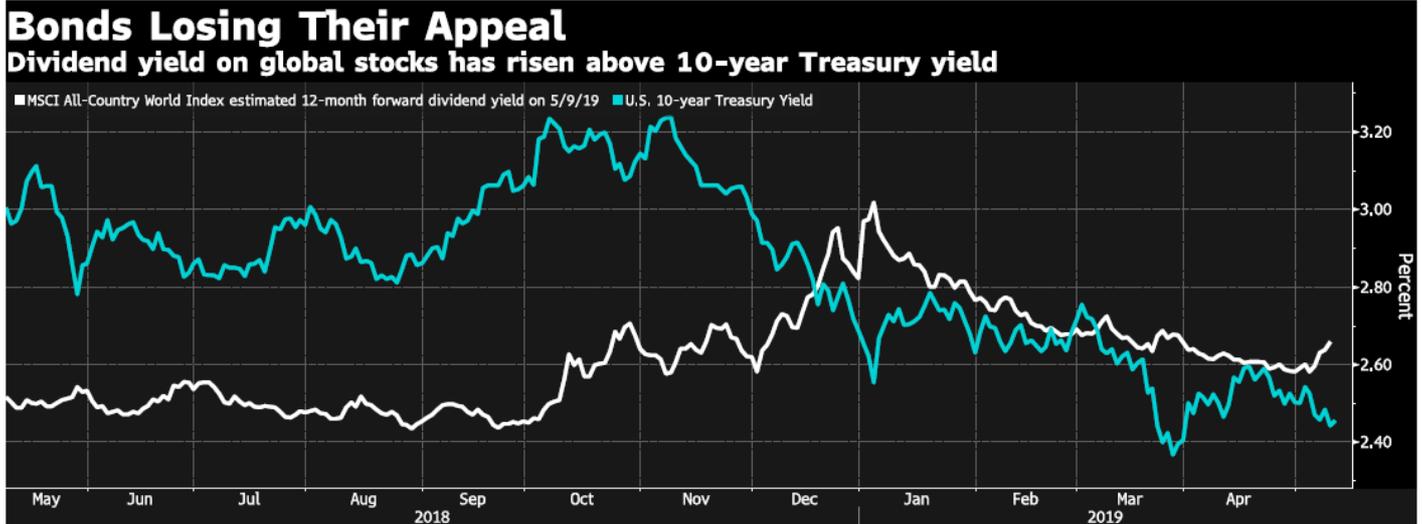
Fixed Income – Germany’s 10 year bund fell into negative territory, as German industrial order figures came in short of expectation. The 10-year U.S. Treasury yield briefly fell below three-month bill rates for the first time since March, when a yield curve inversion had stoked talk of a U.S. recession.

Currency – The Turkish Lira fell sharply against the US dollar this week, as Turkey’s electoral body ordered the re-running of the local elections in Istanbul, after the opposition party claimed victory against President Erdogan in March. Erdogan cited “irregularities and corruption” during the last votes as the reason that the elections should be held again.

The Chinese yuan also has a bad week, with trade tension escalating and new signs that there is fragility creeping back into the economy. The Yuan fell to the weakest levels since January, losing around 1.3% against the US dollar.

The safe haven currency, the Japanese Yen, rallied against the US dollar to a 3 month high, as investors rushed to safe assets.

Chart of the week



Source: Bloomberg 10/5/19

Equities are beginning to look more attractive than sovereign bonds.

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- German CPI final	- Euro GDP flash - EU employment - US retail sales	- US jobless claims	- Euro inflation

Market Performance – 9/5/19

Global Market Indices	2019 YTD %*
FTSE 100	+7.26%
S&P 500	+14.13%
Dax	+11.20%
Nikkei 225	+10.48%
Hang Seng	+10.94%
Fixed Income	Yield %
UK 10 Yr Gilt	+1.12%
US 10 Yr Treasury	+2.44%
Commodities	2019 YTD %
Gold	+0.37%
Currency	
GBP/USD	1.30095 (09/5/19)
GBP/EUR	1.15958 (09/5/19)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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