

# Weekly Investment Update

17<sup>th</sup> May 2019



## Global News

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**Brexit** – The Conservative party 1922 committee, who represent Tory members of Parliament, held a meeting with Prime Minister Theresa May surrounding her political future. Facing continued pressure from her own party, who urged her to step down before the 15th June, the Prime minister has now set a timeline for her departure. PM May will now try to get her Brexit deal through Parliament one last time in June. Whatever the outcome of the vote on the new deal, PM May will announce the timeline for her exit, increasing the likelihood of the UK having a new leader when Britain leaves the EU on the 31st October if no deal can be reached.

**German economic growth** – Germany's economy performed well in the first quarter of 2019, as it went from stagnation to expansion. The major European economy still faces risks from global trade wars, however, expansion for the quarter came in at 0.4% despite a slump in manufacturing data.

**US trade tariffs** – President Donald Trump had planned to raise tariffs on European cars and auto parts this week. He has, however, deferred the plans to impose those tariffs by up to six months as he looks to avoid a trade war with the EU and Japan while trade tensions with China increase.

## Market Summary

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**Global Equities** – US equity markets had a fairly positive start to the week as they recovered from the negative performance last week. The rebound came from signs that the US-China trade talks are easing with the possibility of a deal being agreed within the next few weeks. On Friday, however, China threatened to put a stop to trade talks as they accused the US of "petty tricks" in the last round of talks. Asian shares fell sharply as a result.

**Commodities** – The rebound in equity markets had a negative affect on the gold price over the week, after it had been benefiting for the last few weeks from it's traditional safe haven status. The resistance level of \$1,300 was tested on Monday, but it only managed to break through that level temporarily, and finished the week slightly lower.

Oil (WTI & Brent Crude) prices rose, and sustained the rise, despite surprise surplus US inventories, as reports came out stating that there had been drone attacks carried out on a Saudi Arabia pipeline. Supplies are also forecast to tighten due to US sanctions on Iranian oil.

**Fixed Income** – Eurozone bond yields fell across the board due to trade tensions, and Germany's 10 year bund yield fell to a two and a half year low, as it slipped into negative territory once again. High yield corporate bonds suffered the biggest outflows since December, as investors become more defensive.

**Currency** – Sterling continued it's fall this week, losing against the Euro for 9 days straight, which becomes the longest slide since 2000, as Brexit talks concerned markets once again.

The Chinese Yuan further weakened against the US dollar to the lowest level in 5 months, but losses levelled out around the 7 yuan per dollar mark, as the Chinese central bank signalled that they would defend the currency and not let it go past this critical level.

## Chart of the week

### We Just Disagree Stocks, bonds send contrasting signals on economic outlook to Schwab



Source: Bloomberg 17/5/19

Bond prices rise as equities rise, sending mixed signals.

### Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- UK CPI April	- German GDP - US jobless claims - US new home sales	- Japan CPI - UK retail sales

### Market Performance – 16/5/19

Global Market Indices	2019 YTD %*
FTSE 100	+9.79%
S&P 500	+14.47%
Dax	+14.33%
Nikkei 225	+8.77%
Hang Seng	+10.95%
Fixed Income	Yield %
UK 10 Yr Gilt	+1.06%
US 10 Yr Treasury	+2.39%
Commodities	2019 YTD %
Gold	+0.37%
Currency	
GBP/USD	1.27971 (16/5/19)
GBP/EUR	1.14530 (16/5/19)

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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