

Weekly Investment Update

24th May 2019



Global News

Brexit – In a busy week in Westminster, Prime Minister Theresa May said in a statement made outside 10 Downing Street, that she would step down as leader of the Conservative party on the 7th of June. This comes as MPs refused to back her latest attempt at a new Brexit deal. Earlier in the week, the leader of the House of Commons, Andrea Leadsom, also resigned from the cabinet stating that she no longer believed that the government's approach will deliver Brexit. Boris Johnson is now favourite to replace the outgoing Prime Minister.

UK inflation – The UK's April inflation figure came in less than the Bank of England had expected, but back above the target of 2%. CPI rose to 2.1% for the month, up from 1.9% in March. The rise in inflation comes as UK unemployment dropped to the lowest levels in 44 years, and wage growth grew faster than inflation. Core inflation, which excludes energy, alcohol and food prices came in at 1.8% for the third month in a row.

Indian election – In the biggest ever demonstration of democracy, including over 600 million voters, Narendra Modi of the Bharatiya Janata Party was re-elected as India's prime Minister in a landslide victory. Modi's re-election reinforces a global trend of right-wing populists sweeping to victory, from the United States to Brazil and Italy, often after adopting harsh positions on protectionism, immigration and defence.

Market Summary

Global Equities – Major global equity markets suffered losses, as uncertainty around Brexit and simmering trade tensions between the US and China continued. Germany's DAX index, in particular, had a bad week, as German manufacturing data disappointed, falling short of estimates. Global equities headed for a third straight weekly drop, which is the longest losing streak of 2019.

Commodities – Oil (Brent & WTI) prices had their worst week since February, as US crude oil inventories surprised markets and came in at their highest weekly output levels since July 2017.

Fixed Income – The yield on the UK 10 year bond fell sharply, dipping below 1%, as investors moved away from risk on assets. The German 10 year bund also dipped, after disappointing manufacturing PMI data stayed in contraction territory.

Currency – Sterling hit a four month low against the US dollar (£1/\$1.26110), its lowest level since January, as pessimism around Brexit persisted. After PM Theresa May announced her resignation, however, Sterling made a slight recovery.

Chart of the week

Oil Heads to Biggest Weekly Drop of 2019 Flight from risk sparks plunge



Source: Bloomberg 24/5/19

Oil prices drop as investors worry over global growth.

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US consumer confidence	- France GDP - German unemployment rate	- US jobless claims	- Japan unemployment rate - German CPI

Market Performance – 23/5/19

Global Market Indices	2019 YTD %*
FTSE 100	+8.00%
S&P 500	+12.35%
Dax	+11.00%
Nikkei 225	+9.23%
Hang Seng	+7.70%
Fixed Income	Yield %
UK 10 Yr Gilt	+0.96%
US 10 Yr Treasury	+2.32%
Commodities	2019 YTD %
Gold	+0.06%
Currency	
GBP/USD	1.26631 (23/5/19)
GBP/EUR	1.13219 (23/5/19)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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