

Weekly Investment Update

31st May 2019



Global News

US-Mexico tariffs – US President Donald Trump has said he will place tariffs on all imported goods from Mexico, until Mexico acts to stop illegal immigrants entering the US. In a tweet on Thursday, President Trump vowed to impose 5% tariffs on Mexican imports from the 10th June, which will gradually increase until “the illegal immigration problem is remedied”. The tariffs will rise to 10% from the 1st July, and finally rise to 25% by October.

US-China trade war – With US-China trade talks simmering, China ramped up its rhetoric. Speaking in Beijing this week, Chinese Vice Foreign Minister Zhang Hanhui stated that China is “not afraid of a trade war”, but provoking trade disputes is “economic terrorism”. Mr Hanhui added that the trade war will have a “serious negative effect on global economic development and recovery” which led to a negative market reaction, with global equities and bond yields falling.

UK EU election results – As Brexit rumbles on, the UK voters elected who they would like to see represent the population in the European Parliament. Pro-Brexit groups came out on top, led by Nigel Farage’s Brexit Party, taking a 44% share of the votes. Anti-Brexit parties, including the Liberal Democrats, won around 40% of the votes. The Labour Party, who continue to play both sides of the Brexit debate, received a 14% share of votes.

Market Summary

Global Equities – Major global equity markets suffered losses this week. Global growth, escalating trade tensions, and inflation figures missing central bank targets all contributed to the losses. In May, equity markets around the world lost around \$4 trillion dollars, which is the biggest loss since October 2018.

Commodities – Gold prices have seen some upward momentum, rising to a two week high, as President Trump implemented tariffs on Mexican imports. Oil prices (WTI and Brent Crude) have tumbled again, finishing 5% down for the week.

Fixed Income – Global bond prices rallied hard this week as fears over global growth and trade disputes heightened. The German 10 Year bund yield, fell to a record low of -0.209% on Friday morning, while the US 10 year treasury yield hit a 20 month low of 2.15% as investors move to safe haven assets.

Currency – As US tariffs on Mexican imports were announced, the US dollar surged to its highest level since January against the Mexican Peso. Japanese Yen, sticking to its safe haven status, rallied against the US dollar due to “risk off” sentiment.

Chart of the week



Source: Bloomberg 31/5/19

Global equities fall significantly in May.

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- US ISM manufacturing PMI	- Europe inflation figures	- Europe retail sales	- Europe GDP - Europe employment - ECB rate announcement	- US unemployment rate

Market Performance – 30/5/19

Global Market Indices	2019 YTD %*
FTSE 100	+7.89%
S&P 500	+11.05%
Dax	+10.54%
Nikkei 225	+8.15%
Hang Seng	+7.30%
Fixed Income	Yield %
UK 10 Yr Gilt	+0.87%
US 10 Yr Treasury	+2.16%
Commodities	2019 YTD %
Gold	+1.04%
Currency	
GBP/USD	1.26085 (30/5/19)
GBP/EUR	1.13275 (30/5/19)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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