Weekly Investment Update

07th June 2019

Global News

World Bank growth forecast – With escalating trade tensions around the globe in recent months, the World Bank has cut its target for global growth in 2019 from the 2.9% given in January, to 2.6%. This forecast would suggest that growth in 2019 would be the weakest since the financial crisis of 2008. The International Monetary Fund has recently suggested that the trade disputes between the US and China would subtract around 0.3% of global GDP.

UK data – The IHS Markit UK Manufacturing Purchasing Managers' Index figure fell to 49.4 in May, down from 53.1 in previous months. May's figure indicates the first month of manufacturing contraction since July 2016, with new orders falling to a 3 year low as demand for exports from Europe and Asia has fallen to a four and a half year low.

Italian debt – The EU has triggered penalty procedures against Italy that could lead to billions of Euros worth of fines, as Italy has failed to stick to EU spending rules. The Italian government has set out its plans to spend billions of Euros in its 2020 budget by reducing income tax, introducing a guaranteed minimum wage for struggling families and reforming the pension system. The EU have said that Italy cannot afford such spending, insisting that it will only add to Italy's already massive debt, which amounts to 131% of GDP.

Market Summary

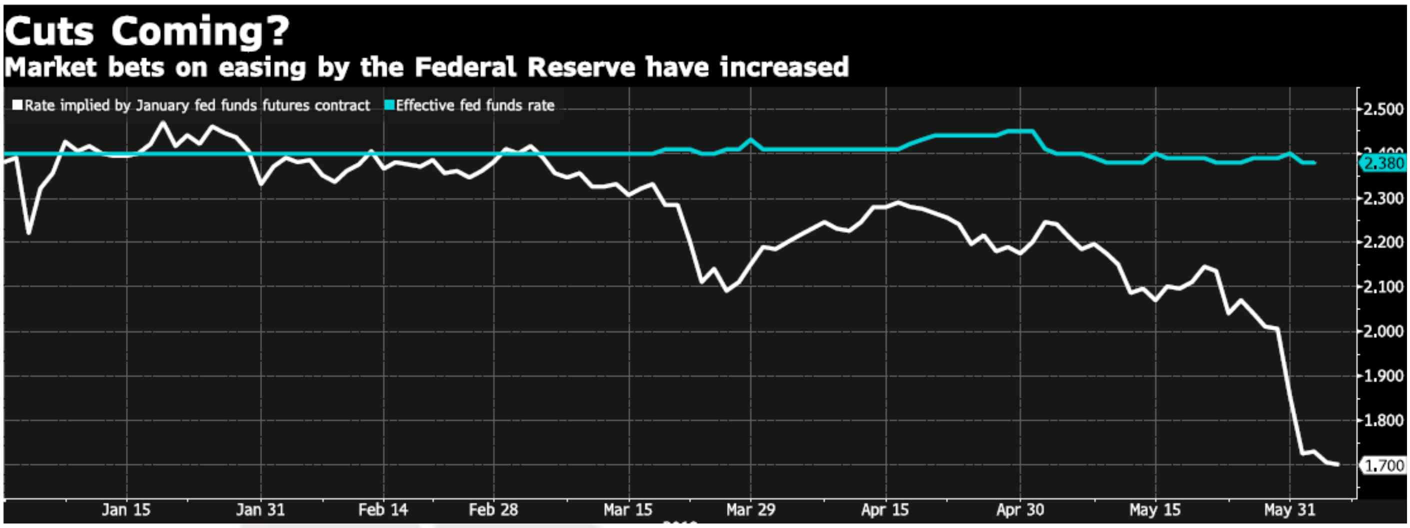
Global Equities – There was some relief for global equity markets this week, as central banks around the world turned dovish. The Federal Open Market Committee (FOMC) signalled that it would potentially cut interest rates as early as next month, and the European Central Bank expects its interest rates to remain the same until at least 2020. Major equity markets finished positive, with the S&P 500 finishing Thursday's session +3.37% for the week.

Commodities – As central banks turned dovish, markets are anticipating that the low interest rates and potential economic expansion coming as a result of this could spur an increase in demand of crude oil. On the back of the announcements and the possibility of delayed US tariffs on Mexican imports, oil (WTI & Brent Crude) prices rallied and finished the week positively. Gold rallied sharply, as the commodity headed for its best week of 2019, supported by expectations of interest rate cuts and heightened global trade conflicts.

Fixed Income – US treasury yields fell again this week, after weak US payroll reports, expectations of a Federal Reserve rate cut, and a lower than anticipated US jobs figure for May. The market had forecast jobs gain of around 180,000, however, the figure came in at 75,000. Commerzbank have also given their opinion on the 10 year treasury yield, stating that they think the yield will fall as low as 1.25% by the end of 2019, as global growth slows.

Currency – The Chinese Yuan fell to a 27 week low against the US dollar, as the Chinese central bank stated that the nation has "tremendous" room to adjust fiscal and monetary policy if trade tensions worsen, and no number is more important than another for the yuan's exchange rate. The Mexican Peso rebounded slightly against the US dollar at the end of the week, as it is expected that the US may now delay tariffs on Mexican imports.

Chart of the week



Source: Bloomberg 7/6/19

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US April producer prices	- China CPI - US CPI	- Australia unemployment figure - Germany CPI - US jobless claims	- US retail sales

Market Performance – 6/6/19

Global Market Indices	2019 YTD %*
FTSE 100	+8.60%
S&P 500	+13.30%
Dax	+11.01%
Nikkei 225	+7.28%
Hang Seng	+6.95%
Fixed Income	**Yield %**
UK 10 Yr Gilt	+0.84%
US 10 Yr Treasury	+2.11%
Commodities	**2019 YTD %**
Gold	+4.14%
Currency	
GBP/USD	1.26959 (6/6/19)
GBP/EUR	1.12586 (6/6/19)

Source: FE Analytics/ Bloomberg.com ****Total Return/Local currency***