

Weekly Investment Update

21st June 2019



Global News

Central banks – This was the week that securities markets were waiting for, as major central banks announced their monetary policy plans going forward. The European Central Bank's (ECB) President, Mario Draghi, stated that the ECB had "considerable headroom" to cut interest rates and increase its money printing programme to try and spur eurozone growth. The Federal Reserve followed suit, and signalled that its next move on interest rates would be a cut, possibly as soon as July. As a consequence, both equities and bonds rallied sharply. The Bank of England's Monetary Policy Committee (MPC) voted unanimously to leave the UK's interest rate unchanged at 0.75%, and revised their growth forecast for the UK. The MPC changed their growth target from 0.20%, down to 0.00%, as they said that the chances of a "no deal" Brexit are increasing.

Conservative leadership vote – The Conservative leadership vote continued this week, as the remaining 6 candidates were whittled down to the final two. Dominic Raab, Rory Stewart, Sajid Javid, and Michael Gove were all gradually eliminated from the race after failing to receive enough votes. The final two, Boris Johnson and Jeremy Hunt, will now face a final vote from 160,000 members of the Conservative party via a postal vote. The results of the final stage are due to be released in late July.

Market Summary

Global Equities – After the world's major central banks turned dovish midweek, and US President Donald Trump tweeted that he and China's President Xi plan to have an extended meeting at the G-20 summit next week, global equity markets reacted positively. European shares finished up c.2% at the close on Thursday, but the big winner this week was the S&P 500 index, as it hit an all-time high on Thursday, reaching 2,956.20 intraday. The Hang Seng index had a big rebound after a boost in sentiment, finishing c.5% up for the week, as large protests on Sunday prompted the leader of Hong Kong put off a proposal that would allow extraditions to mainland China.

Commodities – Oil prices (Brent Crude & WTI) finished the week up around 10%. Fears of an escalation in tensions between the US and Iran after a US drone was shot down, allegedly in Iranian airspace, and low inventory figures coming from the US have both increased prices.

Gold prices continued their incline, hitting a five year high and surpassing \$1,400 per ounce, as the central banks shifted their stance and look to loosen monetary policy.

Fixed Income – Total return indexes for US investment grade corporate bonds, high yield, and sovereign debt have risen to record levels, with the yield on the US 10 year treasury hitting its lowest level since 2016, dropping below 2%. The German 10 year bund yield hovered around its record lows of -0.33%, the Spanish 10 year bond yield declined for the 9th straight week, and Italy's 10 year bond yield fell for the third straight week.

Chart of the week

Near Record For Global Securities Market cap of global equities and bonds



Source: Bloomberg 21/6/19

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	<ul style="list-style-type: none"> - US new home sales - US consumer confidence 	<ul style="list-style-type: none"> - US Durable goods orders 	<ul style="list-style-type: none"> - German CPI - US jobless claims 	<ul style="list-style-type: none"> - Japan unemployment rate - Europe inflation data

Market Performance – 20/6/19

Global Market Indices	2019 YTD %*
FTSE 100	+11.16%
S&P 500	+17.80%
Dax	+14.75%
Nikkei 225	+10.84%
Hang Seng	+13.41%
Fixed Income	Yield %
UK 10 Yr Gilt	+0.818%
US 10 Yr Treasury	+2.024%
Commodities	2019 YTD %
Gold	+8.90%
Currency	
GBP/USD	1.2707 (20/6/19)
GBP/EUR	1.1250 (20/6/19)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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