

# Weekly Investment Update

26<sup>th</sup> July 2019



## Global News

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**Prime Minister Johnson** – Boris Johnson took the reins from Theresa May this week, and became the UK's Prime Minister. After a long battle to gain control, PM Johnson got to work straight away, overhauling his cabinet with ministers who he thinks have the best chance of delivering a favourable Brexit outcome on the 31<sup>st</sup> October. In his first speech outside No.10 Downing Street, PM Johnson promised to get a better and fairer deal for the UK from Brussels, however, this was quickly dismissed by European Commission President Jean-Claude Juncker who stated that the current deal is the only deal on the table.

**IMF growth forecast** – The International Monetary Fund, once again, lowered its global growth forecasts for 2019 and 2020. The IMF stated that the global downside risks had intensified, such as the US-China trade war, a disorderly Brexit, and further slowing of growth in the European Union. Forecasts for economic growth now stand at 3.2% in 2019, and 3.5% in 2020, which is a drop of 0.1% for both years from April's forecast. This is the IMF's fourth growth forecast downgrade since last October.

**German data** – Germany's manufacturing Purchasing Managers' Index figure came in this week at 43.1, down from 45. This was the lowest reading since 2012, and significantly below estimates. This reading is just one element of the composite PMI figure, which accounts for two thirds of the economy. The composite figure came in at 51.4, down from 52.6 in the previous month, which further indicates deteriorating growth in Europe's largest economy.

**European Central Bank (ECB)** – The President of the ECB, Mario Draghi, decided that he would keep European interest rates at 0.00%. The Central Bank also signalled that they are willing to cut key interest rates in September for the first time since 2016, as they implement a policy shift aimed at buffering the eurozone economy.

## Market Summary

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**Global Equities** – Global equities had a fairly flat week once again, with all eyes on the European Central Bank's interest rate decision on Thursday. Many investors thought that the bank would cut interest rates, but President Draghi warned about cutting too quickly, which disappointed markets. Gains that were made early on in the week saw a slight reversal on the news. Attention now turns to the Federal Reserve interest rate decision next Wednesday, and whether they will decide to cut interest rates by 0.25% or 0.5%.

**Commodities** – Oil prices (WTI & Brent Crude) held steady this week, with rising tensions between Iran and the West and a big decline in US inventory stockpiles being held back by the worries around the slowing of economic growth in major economies.

Gold prices had its first weekly decline in three weeks, falling 0.40% for the week to Friday morning. Positive sentiment towards gold has been driven by expectations of monetary policy easing by global central banks, making the FOMC's rate announcement next week an important indicator for the direction of gold prices.

**Fixed Income** – The rally in global bonds ran out of steam this week after the ECB's rate announcement, as Draghi stated that the ECB sees a low risk of a recession in the euro zone.

## Chart of the week



Source: Bloomberg 26/7/19

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
-	- Japan unemployment rate - US consumer confidence	- Australia CPI - Germany unemployment - FOMC rate announcement	- UK BOE base rate announcement - US manufacturing PMI	- US unemployment rate

## Market Performance – 25/07/19

Global Market Indices	2019 YTD %*
FTSE 100	+12.29%
S&P 500	+19.93%
Dax	+14.81%
Nikkei 225	+12.52%
Hang Seng	+14.37%
Fixed Income	Yield %
UK 10 Yr Gilt	+0.70%
US 10 Yr Treasury	+2.07%
Commodities	2019 YTD %
Gold	+10.66%
Currency	
GBP/USD	1.24 (26/7/19)
GBP/EUR	1.11 (26/7/19)

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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