

Weekly Investment Update

2nd August 2019



Global News

Bank of England – The Bank of England (BoE) Governor, Mark Carney, announced that the Monetary policy committee voted unanimously to keep interest rates at 0.75%, which was widely expected. The BoE also forecast that the UK's economy has a one in three chance of shrinking in annual terms in the first quarter of 2020, even without a disorderly Brexit.

US Federal Reserve – The Federal Reserve cut interest rates by 0.25% on Wednesday, down to 2.00%. Jerome Powell, the Chairman of the Federal Reserve, cited US trade tensions, signs of global growth slowdown, and a need to boost low inflation for the cut. The rate cut was widely expected by markets, however, as Mr Powell did not lay out his plan on future rate cuts clearly, equity markets reacted negatively. US President Donald Trump also had a negative opinion of the announcement, stating on Twitter that the Fed chairman “let us down” by not implying that an aggressive stance to monetary easing was coming.

US-China trade talks – After a two day meeting in Shanghai, US trade representatives came away with no sign of a breakthrough in the latest round of trade talks. As a consequence of this, and claims that China are not living up to their promise of buying more US agricultural products from the US, President Trump has stated that the US will now impose a new 10% tariff on yet another \$300bn of Chinese goods beginning in September, further escalating tensions between the two countries. This sent a shockwave through financial markets, with investors flocking to safe haven assets.

Market Summary

Global Equities – Global equity markets had a bad week. As rhetoric around the US-China trade dispute soured, investors fled risk assets. Equity markets were already mostly negative after the Federal Reserve's rate decision, but growing fears of a trade war between the US and China pushed them further. The FTSE 100 index was down around 2.8% for the week at the time of writing, the S&P 500 index fell roughly 3%, and Germany's DAX index, which is very responsive to the trade tariff dispute, was down 3.5%.

Commodities – Oil prices (WTI & Brent Crude) fell sharply after President Trump revealed the new set of tariffs on Chinese goods. The commodity fell 8% on Thursday as the impact of the long term trade war weighed on economic forecasts. The slowdown in manufacturing, production and shipping would all have a negative impact on the oil prices.

Gold prices fell as the US dollar strengthened against the metal after the FOMC announced their interest rate cut, only to rise sharply soon after and reaching an intraday high of \$1,448.38, as trade talks broke down.

Fixed Income – The fixed income rally continued this week with investors choosing to shun risk. The German 10-year bund yield fell to a record low of -0.5%, while the US 10-year treasury yield fell to its lowest since November 2016, falling 7% to 1.83%.

Chart of the week



Source: Bloomberg 02/08/19 – Risk off rally

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Australia cash rate decision		- US jobless claims	- China CPI - US PPI inflation

Market Performance – 01/08/19

Global Market Indices	2019 YTD %*
FTSE 100	+13.75%
S&P 500	+17.96%
Dax	+13.80%
Nikkei 225	+11.42%
Hang Seng	+10.26%
Fixed Income	Yield %
UK 10 Yr Gilt	+0.54%
US 10 Yr Treasury	+1.89%
Commodities	2019 YTD %
Gold	+12.12%
Currency	
GBP/USD	1.21 (2/8/19)
GBP/EUR	1.09 (2/8/19)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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