

Weekly Investment Update

16th August 2019



Global News

Recession signals – Fears over the global growth slowdown increased this week, after disappointing economic data came out of China and Germany. The increasing fears encouraged investors to sell risk assets and move into safe haven assets, including fixed income. The mass move into haven assets created an inversion of the UK/US 2 and 10 year bond yields on Wednesday, with the 10 year yields dipping below the 2 year yields for the first time since 2007, which is considered by many as an indication that a global recession is on the horizon.

Argentina primary elections – Argentina's conservative President Mauricio Macri suffered a shock defeat in the latest primary elections on Sunday against centre left opposition leader Alberto Fernandez. This led to a huge, record low, currency depreciation against the US dollar, and a 48% drop in the Argentinian equity market (S&P Merval) in one day. Investors feared that this vote was representative of a crucial October vote, which could see President Marci replaced. The exit of President Marci would end the pro-business agenda currently in place, which includes elements such as: International Monetary Fund loans, a low level of capital controls, and austerity.

US-China tariff delays – US President Donald Trump tweeted that he would delay 10% tariffs due to start on the 10th September on some Chinese goods, including mobile phones and laptops, until the 15th December. President Trump stated that he did not want prices of these items to rise for American families before Christmas. However, the implementation of the September tariffs will still affect products such as agricultural products, clothing and kitchenware.

German economic data – Germany's gross domestic product (GDP) figure shrank in the three months to June, contracting by -0.1%, as trade tensions weighed on the export dependant manufacturing sector. The annualised output growth figure slowed to just 0.4% for the year to June, the slowest output growth in six years.

Market Summary

Global Equities – Global equity markets fell this week as the UK/US 10 & 2 year bond yields inverted for the first time since 2007, as people fled to safe haven assets. As of Thursday's close, Germany's DAX index finished down (-2.40%), The FTSE 100 index fell (-2.20%), and the S&P 500 slid (-2.37%). Asian equity markets suffered as protests in Hong Kong continued, with the Hang Seng down (-1.58%) and Japan's Nikkei 225 falling (-1.35%).

Commodities – Gold prices hit their highest level against the US dollar since April 2013, topping \$1,535 per ounce, as geopolitical events triggered price movements.

Oil prices, both Brent Crude and WTI, fell over the week, with US inventory figures unexpectedly rising, and fears around a global recession increasing on the back of disappointing economic data out of China and Europe.

Fixed Income – The big news this week centred around the UK/US 2 and 10 year bond yields inverting, which indicates a possible recession in the near future. Further to this, the yield on the US 30 year treasury set a record on Thursday by falling below 2% for the first time ever.

Chart of the week



Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
			- US jobless claims	- Japan CPI - US home sales

Market Performance – 15/8/19

Global Market Indices	2019 YTD %*
FTSE 100	+6.91%
S&P 500	+13.88%
Dax	+5.99%
Nikkei 225	+5.55%
Hang Seng	+2.11%
Fixed Income	Yield %
UK 10 Yr Gilt	+0.41%
US 10 Yr Treasury	+1.52%
Commodities	2019 YTD %
Gold	+18.33%
Currency	
GBP/USD	1.20 (15/8/19)
GBP/EUR	1.08 (15/8/19)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

The information provided is not to be treated as specific advice. It has no regard for the specific investment objectives, financial situation or needs of any specific person or entity. The investments discussed in this document may not be suitable for all investors. Investors should make their own investment decisions based upon their own financial objectives and financial resources and, if in any doubt, should seek advice from an investment advisor. Safety First Portfolios are a range of investment solutions developed by Ascencia Investment Management to cover a variety of investment needs. Safety First Portfolio solutions are some of the models that sit within this.

Ascencia Investment Management does not make any warranties, express or implied, that the products, securities or services mentioned are available in your jurisdiction. Accordingly, if it is prohibited to advertise or make the products, securities or services available in your jurisdiction, or to you (by reason of nationality, residence or otherwise) such products, securities or services are not directed at you.