

# Weekly Investment Update

30<sup>th</sup> August 2019



## Global News

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**Brexit/UK Parliament suspended** – This week, Prime Minister Boris Johnson had a request to suspend parliament between 10<sup>th</sup> September to 14<sup>th</sup> October approved by the Queen. When MPs return from their summer recess next Tuesday, they could have as little as four days in Parliament before it is suspended once more. With the suspension of Parliament so close to the Brexit deadline, it seems that PM Johnson has used this as a strategic ploy to frustrate opposition to the government, as the move could deny lawmakers time to pass legislation that could prevent PM Johnson leaving the European Union without a deal in place. The threat of a “no deal” outcome is seen as a bargaining chip in the latest standoff with the EU, however, opposition parties have reacted with anger to the suspension, stating that the duration of the closure is an insult to democracy and a deliberate attempt to stop Parliament having their say on the Brexit deal.

It is possible, that legislation could be passed this week to block a “no deal” approach if Parliament can act swiftly. However, if they cannot force through legislation, the opposition could then cast a vote of no-confidence in the Government, with the possibility of a Corbyn-led Government as the outcome. If however, no clear majority Government arises in the 14 days after a no-confidence motion, a general election would be called, with a possibility that this could drag on until after the 31<sup>st</sup> October Brexit deadline, meaning that the UK could leave the EU with no deal in place anyway. The Prime Minister’s hope is that there are no laws passed to block a “no deal” outcome, and that he evades a vote of no-confidence. If this plays out, it would leave PM Johnson free to negotiate with the EU before the Council summit on the 17<sup>th</sup> October, with his bargaining chip still available, ending with a fresh/better deal which can potentially be passed through Parliament.

## Market Summary

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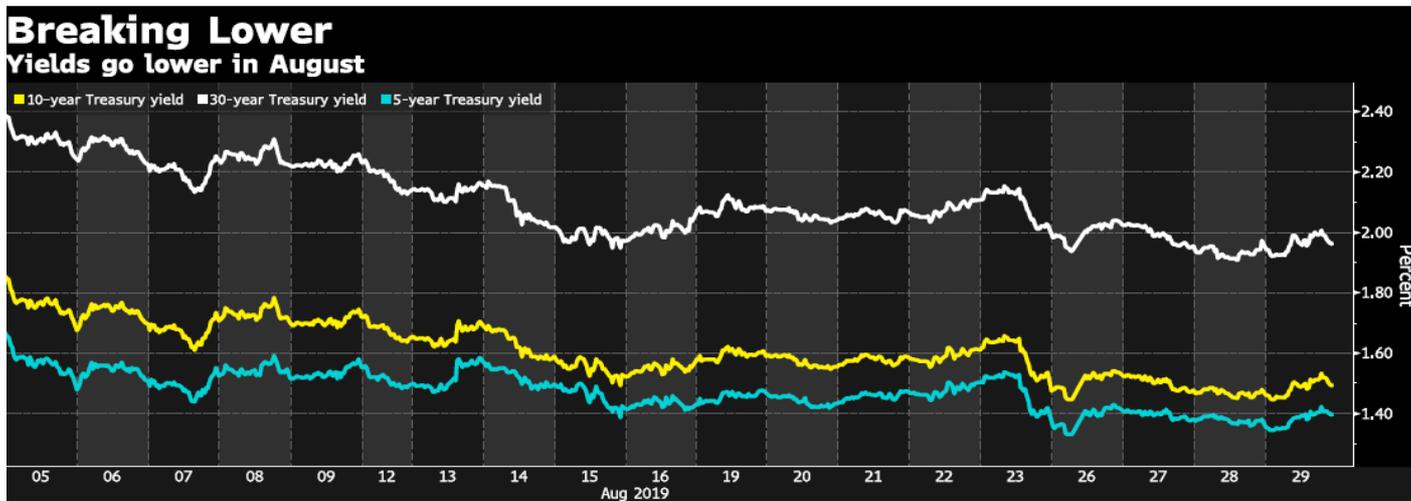
**Global Equities** – Sentiment around equities improved slightly this week, with tensions in the Sino-US trade war eased following comments from the Chinese commerce ministry, stating that they are opposed to escalating the dispute and want it resolved. As at Thursday’s close, the S&P 500 index rose (+2.76%) for the week, and the DAX index increased (+1.96%), both responding positively to the easing trade tensions. The FTSE 100 index gained (+1.27%) as sterling dropped against other major currencies after PM Johnson announced his intentions to suspend UK Parliament. The Hong Kong Hang Seng slipped for another week (-1.64%), as protests and riots escalated.

**Commodities** – Gold prices rallied back above support level of \$1,500 this week, opening on Thursday at \$1,530.60. Towards the end of the week, prices dipped slightly as news flow around the US-China trade war turned positive. Silver prices rallied hard, finishing the week (+3.40%).

Oil prices, both Brent Crude and WTI, rallied on the back of declines in US stockpiles, a looming hurricane in Florida and easing the trade tensions.

**Fixed Income** – Italian and Greek bond yields hit record lows after the Italian President, Sergio Mattarella, gave PM Conte the go ahead to form a new coalition government. Lower political risk in Italy has given bond investors an excuse to buy attractive Italian and Greek debt, where most euro zone sovereign bonds have negative yields.

## Chart of the week



Source: Bloomberg – Treasury yields fall in August as investors move into risk off assets

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US Manufacturing PMI	- Australia GDP Q1	- US jobless claims	- US unemployment rate - US non-farm payrolls

## Market Performance – 29/8/19

Global Market Indices	2019 YTD %*
FTSE 100	+8.79%
S&P 500	+17.04%
Dax	+9.95%
Nikkei 225	+5.91%
Hang Seng	+3.18%
Fixed Income	Yield %
UK 10 Yr Gilt	+0.43%
US 10 Yr Treasury	+1.49%
Commodities	2019 YTD %
Gold	+19.20%
Currency	
GBP/USD	1.21 (29/8/19)
GBP/EUR	1.10 (29/8/19)

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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