

Weekly Investment Update

30th August 2019



Global News

Brexit – This week in the long running Brexit saga, UK Prime Minister Boris Johnson lost his first vote in Parliament 328-301, which ruled out the possibility of a ‘no deal’ Brexit on the 31st October. The 21 Conservative rebels who voted against the Prime Minister’s wishes were thrown out of the party, including former chancellor of the exchequer, Phillip Hammond, and Kenneth Clarke, who has served in the cabinet since the days of Margaret Thatcher. PM Johnson is now pushing for a general election to try and firm up his position before going into negotiations with Brussels, however, the leader of the opposition, Jeremy Corbyn, has stated that his party will not be forced into taking part in an election until any possibilities of a ‘no deal’ exit are taken off the table. PM Johnson responded to Labour leader Corbyn’s dismissal of an election by calling him a “chicken”, stating that he suspects Mr Corbyn is afraid of losing. After being forced to give up fighting the opposition in Parliament after a number of humiliating defeats, PM Johnson is now pushing more aggressively to have a general election on the 15th October “and indeed earlier” as he would rather be “dead in a ditch” than agree to another Brexit delay. On Friday, a legal challenge over PM Johnson’s decision to suspend Parliament was rejected by the High Court, however, and appeal is due to be heard in the Supreme Court on the 17th September.

Hong Kong extradition bill – The Chief Executive of Hong Kong, Carrie Lam, withdrew the hugely controversial extradition bill on Wednesday, as well as announcing three more measures to help ease the crisis and restore law and order in Hong Kong. Protests, however, are still due to go ahead this weekend, with many protesters pledging to carry on fighting, as the concession of the withdrawal bill is too little, too late.

US-China trade war – A phone call between China’s Vice Premier, Liu He, and US trade representatives brought a wave of optimism over the trade negotiations, as the two parties agreed to resume face-to-face talks in October in a bid to ease the tensions in the rapidly escalating trade war.

Market Summary

Global Equities – Major global equity markets had a positive week. Optimism around trade tensions, along with the withdrawal of the extradition bill in Hong Kong created risk on sentiment. As at Thursday’s close, Asian index’s, Shanghai index (CSI 300) rose 3.37%, and the Hong Kong Hang Seng rose 3.21%. The Euro Stoxx 600 and S&P 500 index both rose by 1.73%, and the export sensitive DAX finished up 1.57%.

Commodities – Gold and silver prices lost momentum and slipped this week, as news flow around the US-China trade war turned positive and robust economic data came out of the US.

Oil prices, both Brent Crude and WTI, rallied sharply on the back of the positive trade news.

Fixed Income – The yield on the UK 10-year gilt fell to a new low this week as PM Boris Johnson threatened to call an early election to end the Brexit deadlock. On Friday however, euro zone bond yield slipped lower, after their worst tone-day sell off in more than a year, with easing geopolitical tensions and strong US economic data curbed demand for fixed income.

Chart of the week



Source: Bloomberg – The S&P 500 index rallies after US-China trade tensions ease

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- China CPI	- US PPI inflation - US producer prices	- German CPI - US CPI - US Jobless claims	- US retail sales

Market Performance – 5/9/19

Global Market Indices	2019 YTD %*
FTSE 100	+10.22%
S&P 500	+19.16%
Dax	+12.62%
Nikkei 225	+9.15%
Hang Seng	+6.59%
Fixed Income	Yield %
UK 10 Yr Gilt	+0.56%
US 10 Yr Treasury	+1.57%
Commodities	2019 YTD %
Gold	+18.13%
Currency	
GBP/USD	1.23 (6/9/19)
GBP/EUR	1.11 (6/9/19)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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