

Weekly Update: Published 15th January 2019

Last plan standing

Markets

- Global equity market performance was primarily positive across the board. In GBP terms, Japan rose the most, up +2.98%, followed by Emerging Markets (+2.63%), the UK (+1.79%), Europe (+1.62%) and the US (+1.52%).
- Bonds were mixed over the week. UK Gilts and UK Corporates were down -0.22% and -0.04% respectively, whilst European bonds rose +0.20% and US government bonds fell -0.24%.
- GBP appreciated vs USD, JPY and EUR by +0.95%, 0.91% and +0.29% respectively.
- In USD terms, the oil price rose +7.57% and gold rose by +0.71%.

Macro

- Theresa May's last-ditch attempt to shore up her Brexit deal appeared to be in the balance, with parliamentary arithmetic indicating it will not be approved on Tuesday 15th. Given the high likelihood that the deal will be rejected (at the first try at least), we expect considerable uncertainty to persist until 21st January, after which date parliamentary procedure indicates that a minister must make a statement to the Commons explaining how the Government intends to proceed.
- US consumer prices fell for the first time in nine months, dragged down by falling fuel prices. The headline figure slid 0.1% MoM for December, marking the first decline in CPI since March 2018. However, core inflation, which strips out volatile items such as energy and food, rose 2.2% YoY, in-line with forecasts and marginally above the Federal Reserve's 2% target. Weaker inflationary pressure, despite labour market tightness, should offer the Fed greater scope to be accommodative in 2019, putting less upward pressure on the US Dollar.
- Eurozone unemployment has fallen to its lowest level in a decade, as the seasonally-adjusted unemployment rate fell to 7.9% in November, down from 8% in October. The report showed the fall was due to increasing employment in Greece and Spain, while labour markets remain tight in Germany especially. Strong employment data should provide some support for wages and consumption in the coming months but, given the dramatic deterioration in Eurozone export and industrial production data, it remains to be seen if domestic strength can offset external weakness.

Our view

- Global growth has weakened somewhat from elevated levels. We expect earnings growth to remain positive but weaker inflationary pressure should cause more gradual interest rate rises.
- Despite elevated geopolitical risk, we believe this is an environment favouring equities over bonds.
- Within our regional equity allocation, we are cautious on UK equities and favour those regions most attractively positioned to benefit from the improvement in the global growth dynamic.

 Performance to 11/01/2019 **1 Week** **YTD**
Equity GBP Total Return %

UK	1.79	3.47
Europe	1.62	3.35
US	1.52	2.67
Japan	2.98	2.97
Emerging Markets	2.63	2.69

Bonds Local Total Return %

UK Gov	-0.22	-0.13
UK Corp	-0.04	-0.09
Eur Gov	0.20	0.00
US Gov	-0.24	-0.03

Currency %

GBP vs. USD	0.95	0.71
GBP vs. EUR	0.29	0.67
GBP vs. JPY	0.91	-0.39

Commodities USD %

Oil	7.57	13.61
Gold	0.71	0.78

Source: Bloomberg Finance L.P., Morningstar, data as at 15/01/2019.

Important Information

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