

Weekly Update: Published 12<sup>th</sup> March 2019

## Le Crunch

### Markets

- Global equity market performance was negative in GBP terms, despite GBP weakness. The UK fell the least down -0.07%, followed by Emerging Markets (-0.12%), Japan (-0.24%), the US (-0.34%) and Europe down -0.74%.
- Bonds were positive over the week. UK Gilts were up +1.24% as well as UK Corporates, which were up +0.83%. European and US government bonds rose by +1.06% and +0.85% respectively.
- GBP depreciated vs EUR, USD and JPY by -0.28%, -1.42% and -2.05%.
- In USD terms, the oil price rose +0.48% and gold fell by -1.16%.

### Macro

- With Brexit negotiations in deadlock, the EU's chief Brexit negotiator revealed that the UK can leave the customs union provided the backstop ensures there is not a hard border in Ireland. The first vote will be on Tuesday for May's deal and, despite legal guarantees on the UK's ability to end the backstop, May's deal may not pass. If the deal fails, parliament will have the opportunity on Wednesday and Thursday to vote in favour of a "no deal" Brexit and an extension to Article 50. MPs are unlikely to vote in favour of "no deal" and an extension is likely, reducing the chances of leaving with no deal.
- China reported the sharpest YoY decline in exports in three years, as China's exports sank 20.7% last month in USD terms, four times the 4.8% decline forecasted, whilst imports fell 5.2%. Weak export figures for China stem from anaemic global demand, a representation of the fragile global growth environment. Policymakers will now look to stimulate the domestic economy through consumption in order to maintain growth levels.
- The ECB announced it had cut its annual growth rate for the region, to 1.1%, down from 1.7%. The Central Bank also announced a fresh round of monetary stimulus, whilst maintaining interest rates for the foreseeable future. Market participants will remain focused on Brexit negotiations and China's growth situation in order to see if there is an improvement which would be beneficial to Eurozone growth. In the medium-term, the ECB will remain supportive to encourage a rebound in the region.

### 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 08/03/2019      **1 Week**      **YTD**

#### Equity GBP Total Return %

UK	-0.07	7.25
Europe	-0.74	5.57
US	-0.34	7.03
Japan	-0.24	1.70
Emerging Markets	-0.12	4.45

#### Bonds Local Total Return %

UK Gov	1.24	1.50
UK Corp	0.83	2.93
Eur Gov	1.06	1.73
US Gov	0.85	0.72

#### Currency %

GBP vs. USD	-1.42	2.05
GBP vs. EUR	-0.28	4.16
GBP vs. JPY	-2.05	3.45

#### Commodities USD %

Oil	0.48	23.48
Gold	-1.16	1.39

Source: Bloomberg Finance L.P., Morningstar, data as at 11/03/2019.

#### Important Information

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