

Weekly Update: Published 19<sup>th</sup> March 2019

## Third time lucky

### Markets

- Despite GBP strength, Global equity markets broadly gained in GBP terms, UK equities gained +1.90%, followed by Europe (+1.60%) and the US (+1.02%). EM gained +0.52% while Japan declined -0.44%.
- UK corporate bonds advanced (+0.29%), along with US government bonds in local terms (+0.16%). Gilts and European government bonds declined in local terms (-0.14% and -0.08% respectively).
- GBP strengthened 2.45% vs JPY, 2.11% vs USD and 1.3% vs EUR.
- In USD terms, the oil price rose +4.37% and gold +0.52%.

### Macro

- After a series of votes in the House of Commons, the UK parliament agreed to request an Article 50 extension until June 30<sup>th</sup> if MPs endorse the withdrawal agreement before 20<sup>th</sup> March. May is no doubt hoping that the threat of a long delay or “no deal” Brexit will motivate Euro-sceptic and pro-European MPs to support the deal respectively. Sterling gained on the prospect of a potential delay to the Brexit deadline, but we expect turbulence ahead. On the 18<sup>th</sup>, Speaker John Bercow reminded Parliament that motions cannot be brought back again without an amendment in the same session, calling the vote on the 20<sup>th</sup> into question.
- Chinese Premier Li Keqiang announced new foreign investment laws to strengthen protections for foreign companies operating in China, including pre-access to some industries. The changes passed in a rapid three months, emphasising China’s desire to smooth the way for a US-China trade deal. Should US tariffs on Chinese goods be lifted by the summer, Chinese growth could be boosted to 6.5% in 2019 vs. 6.1% currently expected.
- Italy may become the first G7 country to participate in China’s “Belt and Road initiative” (BRI) global investment programme. Reports emerged over the week detailing Italy’s involvement, likely causing concern to EU policymakers. A formal economic alliance between China and Italy could cause friction with the US at a time when trade tensions are already somewhat strained.

### 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 15/03/2019      **1 Week**      **YTD**

#### Equity GBP Total Return %

UK	1.90	9.3
Europe	1.60	7.3
US	1.02	8.1
Japan	-0.44	1.3
Emerging Markets	0.52	5.0

#### Bonds Local Total Return %

UK Gov	-0.14	1.4
UK Corp	0.29	3.2
Eur Gov	-0.08	1.7
US Gov	0.16	0.9

#### Currency %

GBP vs. USD	2.11	4.2
GBP vs. EUR	1.30	5.5
GBP vs. JPY	2.45	6.0

#### Commodities USD %

Oil	4.37	28.9
Gold	0.52	1.9

Source: Bloomberg Finance L.P., Morningstar, data as at 18/03/2019

#### Important Information

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