

Weekly Update: Published 2<sup>nd</sup> April 2019

## Songs of Brexperience

### Markets

- Global equity markets were primarily positive in GBP terms, with the US leading the way (+2.59%), followed by Europe (+2.18%), then Emerging Markets (+1.32%), the UK (+1.02%), and Japan was the laggard (-0.11%).
- UK corporate bonds fell (-0.68%), along with gilts (-0.16%). European and US government bonds rose in local terms (+0.06% and +0.34% respectively).
- GBP depreciated -1.32% vs USD, -0.58% vs EUR and -0.52% vs JPY.
- In USD terms, the oil price rose +1.86% while gold fell -1.21%.

### Macro

- The government failed to win parliamentary approval of the withdrawal agreement, leaving the UK set to exit the EU on April 12<sup>th</sup>. The Government invited Parliament to vote on the withdrawal agreement only, to meet the EU's requirements for granting an extension to 23<sup>rd</sup> May, with the future relationship unspecified. The third defeat of the withdrawal agreement may have been narrowed by May offering her resignation if a deal was passed. MPs voted down the second set of indicative votes, with further indicative votes scheduled this week, it is unclear whether a motion will be passed. With a "no-deal" Brexit still an option, Sterling is likely to remain volatile ahead of the new deadline.
- ECB President Mario Draghi, speaking in Frankfurt, acknowledged the increasing downside risk in Europe's economy, signalling the Central Bank's willingness to act if the situation deteriorated. Draghi also discussed the impact of negative rates, which banks are blaming for weak profitability. Although the indication of an accommodative Central Bank is positive for markets, investors will be keen to see an improvement in Eurozone data and a reduction to political risk in the region.
- US Q4 GDP was revised down to 2.2% from 2.6% in the third reading of the figure, resulting in the US growing below Trump's 3% target in 2018. The revision was due to lower consumer and business spending, along with the effects of the government shutdown and a weaker global growth environment. However early indications from US survey data are that the pronounced softness may be temporary and any further slowdown may be more gradual.

### Our view

- Global growth has weakened somewhat from elevated levels. We expect earnings growth to remain positive and weaker inflationary pressure, but with interest rates remaining on hold.
- 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 29/03/2019      1 Week      YTD

#### Equity GBP Total Return %

UK	1.02	9.82
Europe	2.18	8.00
US	2.59	10.62
Japan	-0.11	4.20
Emerging Markets	1.32	6.91

#### Bonds Local Total Return %

UK Gov	-0.68	3.55
UK Corp	-0.16	4.68
Eur Gov	0.06	2.57
US Gov	0.34	2.17

#### Currency %

GBP vs. USD	-1.32	2.20
GBP vs. EUR	-0.58	4.48
GBP vs. JPY	-0.52	3.27

#### Commodities USD %

Oil	1.86	32.44
Gold	-1.21	1.28

Source: Bloomberg Finance L.P., Morningstar, data as at 01/04/2019

#### Important Information

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