

Weekly Update: Published 29th May 2019

May day, May day

Markets

- In local terms, equity markets had a largely negative week. The UK was the biggest detractor, falling -1.04% followed by the US (-0.84%), Europe (-0.43%) and Emerging Markets (-0.23%). On the other hand, Japan saw mild gains (+0.10%).
- Government bonds saw broad-based gains in local terms, as UK gilts rose +0.99%, whilst Europe and the US gained +0.20% and +0.42% (in GBP). UK corporate bonds fell -0.57%.
- GBP depreciated -0.46% vs EUR, -0.78% vs JPY and -0.08% vs USD.
- In USD terms, the oil price fell -6.58% on the week while gold rose +0.13%.

Macro

- In the UK, Theresa May announced that she will resign office on the 7th of June, with a Conservative leadership election to officially start a week after. May's decision prompted several high profile Tory candidates to throw their name into the ring, with Boris Johnson currently the bookies' favourite. Given the variety of the current candidates' stances on Brexit, it is unclear at this stage what direction the new PM will take the country in, with the UK still scheduled to leave in EU at the end of October. The door still remains open to either a "no deal" Brexit or a general election; both of which will likely cause volatility in UK assets.
- In the interim, we had the results of the European parliamentary elections. In the UK, Brexit dominated the agenda with the newly formed Brexit Party winning 29 MEP's. This however does not tell the entire story, as parties with anti-Brexit positions such as the Liberal Democrats and the Green party both performed well (16 and 7 MEP's respectively). This result, to some degree, mirrored that seen on the continent, where parties in the political centre lost ground, but this mostly benefitted the Greens and the Liberals while the far-right was strengthened less than anticipated. In the aftermath of the results, GBP was weaker vs. USD whilst Italian bond levels jumped, after strong gains shown by the far-right Northern League party.

Our view

- Global growth has weakened somewhat, but Chinese stimulus, better survey data and accommodative monetary policy lead us to expect it to remain positive.
- While geopolitical risk remains elevated, relations have thawed a little and we believe this remains an environment favouring equities over bonds.
- Within our regional equity allocation, we favour those regions most attractively positioned to benefit from the improvement in the global growth dynamic.

Performance to 24/05/2019 1 Week YTD

Equity GBP Total Return %

UK	-1.04	10.92
Europe	-0.43	11.70
US	-0.84	13.79
Japan	0.10	5.04
Emerging Markets	-0.23	3.12

Bonds Local Total Return %

UK Gov	0.99	4.25
UK Corp	-0.57	5.58
Eur Gov	0.20	3.24
US Gov	0.42	3.05

Currency %

GBP vs. USD	-0.08	-0.31
GBP vs. EUR	-0.46	2.02
GBP vs. JPY	-0.78	-0.64

Commodities USD %

Oil	-6.58	29.11
Gold	0.13	0.27

Source: Bloomberg Finance L.P., Morningstar, data as at 28/05/2019

Important Information

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