

Weekly Update: Published 2nd July 2019

20-20 Vision

Markets

- Global equity market returns were positive across all regions in GBP terms, with the exception of US equities (-0.65%). Europe led the way up (+0.48%), followed by the UK (+0.36%), Japan and Emerging markets both up +0.18%.
- UK gilts fell -0.25% and corporate bonds rose +0.50%. European government bonds gained +0.45% in local currency terms, whilst US government bonds rose +0.33%.
- GBP appreciated +0.21% vs JPY, and depreciated vs EUR (-0.39%) and vs USD (-0.32%).
- In USD terms, the oil price rose +1.81%, while gold rose +0.85%.

Macro

- Last week saw the first round of the US primaries, which left former Democratic vice-president and early Democrat favourite, Joe Biden, on the back foot, emphasising the new dynamics of the 2020 presidential race. The attacks on Biden highlighted the ideological and generational divide of the crowded Democratic field. One candidate who took full advantage of this was Kamala Harris who could well supplant Bernie Sanders and establish herself as the main threat to Biden on the left. Divided Democrats could make the Republican Party and its policies more likely to succeed.
- Following the G20 summit it was revealed that the US and China will resume trade talks after President Trump pledged he would not put more tariffs on Chinese goods. Despite an uplift in positive sentiment from China agreeing to purchase US agricultural goods and the US allowing companies to sell to Chinese tech firm, Huawei, downside risk and uncertainty still remain with no agreement details revealed and tariffs still in place. With the original IP issue yet to be solved, markets will be eagerly awaiting any further details or tweets to see how legitimate this new truce is.
- A cross party group is attempting to stop a “no-deal” Brexit after becoming increasingly alarmed at the tone of the Conservative candidates pledges to take Britain out of the European Union with “no-deal”. The group is planning to table an amendment on a spending bill that would rule out leaving without a deal or at least offer MPs the opportunity of a vote before that happened. With October fast approaching, this leaves very few opportunities for MPs to intervene and stop a “no-deal” before the Brexit deadline.

Our view

- Global growth has weakened somewhat, but Chinese stimulus, and accommodative monetary policy lead us to expect it to remain positive.
- While geopolitical risk remains elevated, 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 28/06/2019	1 Week	YTD
Equity GBP Total Return %		
UK	0.36	13.33
Europe	0.48	16.85
US	-0.65	18.17
Japan	0.18	7.11
Emerging Markets	0.18	10.26
Bonds Local Total Return %		
UK Gov	-0.25	4.95
UK Corp	0.50	6.84
Eur Gov	0.45	6.12
US Gov	0.33	5.15
Currency %		
GBP vs. USD	-0.32	-0.45
GBP vs. EUR	-0.39	0.40
GBP vs. JPY	0.21	-2.10
Commodities USD %		
Oil	1.81	28.76
Gold	0.85	10.16

Source: Bloomberg Finance L.P., Morningstar, data as at 01/07/2019

Important Information

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