

Current Update

Market commentary from Rivers Capital Management.
For professional advisors only

February 2018

Market Commentary

With the notable exception of the UK the first month of 2018 was a good one for stock markets across the globe. The year started very much as 2017 finished with confidence high and global growth looking positive almost everywhere. Fears surrounding interest rates and the eventual ending of quantitative easing were rising but any effects were limited to fixed income markets. With confidence high anyway there was good news from the World Bank who reported that global economic growth had been stronger than expected in 2017. It added also that it expected global growth to be sustained at 3.1% for the coming year. There was plenty of self-congratulation at the World Economic Forum, the annual meeting of business and political leaders at Davos. Donald Trump flew in – the first US President to attend since Bill Clinton in 2000 – and made a tub-thumping speech highlighting American growth and making no apologies for acting as his country's "cheerleader" while pushing the America First agenda.

The big business story in the UK was the collapse of the government's preferred building contractor Carillion. The company went under with debts of £1.5bn and a hole in the pension fund of at least £600m which will certainly have on-going ramifications but did little really to change the mood. Beyond Carillion and growing concerns regarding Brexit, the news from the UK was reasonably encouraging. While GDP growth remains slow, UK manufacturing was at its highest for ten years and productivity enjoyed its biggest increase since 2011, up by 0.9% while inflation dipped slightly to 3%.

Europe returned from its Christmas holiday to find Germany still without a government. The German economy ploughed on regardless, with figures for November confirming a trade surplus for the month of €23.7bn (£20.7bn). European stocks continued to grow steadily. The German DAX index rose by 2% in January with the French CAC40 index did slightly better, rising by 3%.

In the US the equity markets were up, in local terms, nearly 5% after a very strong 2017. The government 'shutdown', when the federal debt limit was reached, did very little to impact confidence. The month ended with a bullish President back from Davos delivering his first State of the Union address where he gladly took credit for low unemployment, the strong equity market and GDP growth over 3%.

For Emerging equity markets, January was an excellent month for most regions. The Indian stock market rose 6%, Russia was up 9% and the Brazilian index shot up by 11%.

The rising 10Y benchmark interest rates globally (US (10Y 2.4-2.8%), the UK (1.2-1.5%), Europe (Bund 0.4-0.7%) and even Japan (0.05-0.09%) seemed not to have effected equity markets but did impact all bond indices and is likely to have a long term impact on cost going forward.

10 Key Events to Watch:

UK		Previous	Forecast
Thursday February 08	BoE Interest Rate Decision (Feb)	0.50%	0.50%
Friday February 09	Manufacturing Production (MoM) (Dec)	0.4%	0.3%
Friday February 16	Retail Sales (MoM) (Jan)	-1.5%	
Wednesday February 21	Claimant Count Change (Jan)	8.6K	5.4K
Thursday February 22	GDP (QoQ) (Q4)	0.5%	0.4%
GLOBAL			
Wednesday February 14	Inflation Rate YoY (US)	1.8%	2.0%
Wednesday February 14	GDP (QoQ) (Q4) (EA)	0.7%	0.6%
Friday February 16	Michigan Consumer Sentiment (US)	95.7	95.6
Tuesday February 20	ZEW Economic Sentiment Index (DE)	20.4	22.5
Tuesday February 27	Durable Goods Orders MoM JAN (US)	2.9%	(0.9%)

Key Recent Announcements

UK CONSUMER PRICE INDEX (YOY):-

UK CPI (YoY) for the month of December was at 3.00% as compared 3.10% for the corresponding period last month.

UK UNEMPLOYMENT RATE:-

UK Unemployment rate remain unchanged at 4.3% as compared to the corresponding period last month.

UK MANUFACTURING PMI :-

UK Manufacturing PMI for the month of December was at 56.3 as compared to 58.2 as compared to previous month.

UK GDP (YOY):-

UK GDP for Q4 YoY was at 1.5% as compared to 1.7% for the corresponding period last quarter.



INTELLIGENT INTUITIVE INVESTING

UK	31-Jan-18	31-Dec-17
FTSE 100	7533	7687
FTSE 100 %Change	(2.0%)	
BoE Interest Rate	0.50%	0.50%
CPI	3.0%	3.10%
Govt, 10YR Yield	1.51%	1.19%
FTSE 350	4188	4277

Currency	31-Jan-18	31-Dec-17
GBP/USD	1.41	1.35
GBP/EURO	0.8752	0.8878

Commodity (\$)	31-Jan-18	31-Dec-17
Gold	1343.1	1309.3
Silver	17.34	16.98
Brent Crude Oil	69.05	66.87

Govt 10YR Bond	31-Jan-18	31-Dec-17
US	2.71	2.40
Japan (JGB)	0.08	0.05
Germany (Bund)	0.69	0.52

Global Markets (%)	31-Jan-18	31-Dec-17
Dow Jones	26,149	24,719
Dax	13,189	12,817
CAC	5,481	5,312
Nikkie 225	23,098	22,764
Shanghai	3,481	3,307
Sensex	35,965	34,056
Nifty 50	11,027	10,530

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