

Current Update

Market commentary from Rivers Capital Management.
For professional advisors only
July 2018



Market Commentary

Despite some bad news relating to trade during July global growth appears to remain strong and nearly all investment markets had a good month. The global issue remained the threat of a trade war between the US and China, which simmered throughout the month, the domestic issue remained Brexit, which saw two prominent cabinet ministers resign and – with eight months to go until that date on which we leave the EU – we still have no idea of what shape this ‘exit will take.

In the UK July brought good news for both the service and manufacturing sectors. The service sector was a beneficiary of the World Cup as people watched the surprising England team progress to the semi-final. Perhaps more significantly, in the long run a CBI survey pointed to the best news for manufacturing for 12 months, with 41% of firms reporting that output was up – although concerns over the final shape of Brexit were making some firms delay investment.

The UK Equity market had a volatile month but ended up around 1% after the pound fell a similar amount against the Euro and the US Dollar

Europe’s two major stock markets moved in step during the month. Both the French and German markets rose by 4% during July after it became clear, in a meeting between Jean-Claude Juncker and President Trump, that the trade spat between China and the US would largely avoid Europe.

In the US the month started with the news that the US had added another 213,000 jobs in June as the economy’s growth continued. Confirming this, figures showed that the US economy had grown at an annualised rate of 4.1% in the second quarter of the year, helped by strong consumer spending and a surge in exports.

Perhaps bolstered by the strong economy at home, and his own perceived popularity President Trump set about escalating the trade war with China. Having imposed a 25% tariff on an initial \$34bn (£26bn) of Chinese goods in July the President is now proposing a similar tariff on up to \$200bn of imports. The Chinese are yet to respond fully but this is likely to be a major influence for investors in the coming months.

Neither trade wars, nor Facebook (which lost 19% of its value after poor results) could slow the US stock market which rose nearly 5% throughout the month

The threat of trade war did initially affect the Chinese stock market, which fell 2.5% in one day as the deadline for the first raft of Trump Tariffs arrived, although this had all been recovered by month end after the government introduced some tax cuts and taking steps to issue special bonds for local government infrastructure projects.

10 Key Events to Watch:

UK		Previous	Forecast
Tuesday, Aug 14, 2018	Claimant Count Change (Jul)	7.8K	-7.8K
Tuesday, Aug 14, 2018	Unemployment Rate (Jun)	4.2%	4.3%
Wednesday, Aug 15, 2018	Inflation Rate YoY (Jul)	2.4%	2.5%
Friday, Aug 31, 2018	Gfk Consumer Confidence (Aug)	-10	-13
Monday, Sep 10, 2018	Monthly GDP 3-Month Avg (Jul)	-	0.5%
GLOBAL			
Tuesday, Aug 14, 2018	German GDP (YoY)	1.6%	2.5%
Wednesday, Aug 29, 2018	US GDP (QoQ) (Q2)	4.1%	-
Thursday, Aug 30, 2018	China Manufacturing PMI (Aug)	51.2	51.3
Friday, Aug 31, 2018	Euro CPI (YoY) (Aug)	2.0%	2.0%
Friday, Aug 31, 2018	India GDP Quarterly (YoY) (Q1)	7.7%	7.3%

Key Recent Announcements

UK MANUFACTURING PMI (JULY):-

Manufacturing PMI stood at 54.4 as compared to 54.4 from the previous month.

UK INFLATION RATE YOY JULY:-

The rate of inflation across the UK stood at 2.4 percent in July 2018, changed from 2.4 percent the previous month and below market expectations of 2.4 percent.

UNITED STATES GDP (QOQ) Q1:-

The USA GDP (QOQ) Q1 stood at 4.1 percent up from 2.2 percent from the previous quarter and above market expectations of 2.2 percent.

UK	31-July-18	31-Dec-17
FTSE 100	7748	7687
FTSE 100 %Change	(0.79)	
BoE Interest Rate	0.50%	0.50%
CPI	2.00%	3.10%
Govt, 10YR Yield	1.33%	1.19%
FTSE 350	4310	4277

Currency	31-July-18	31-Dec-17
GBP/USD	1.3127	1.35
GBP/EURO	0.8907	0.8878

Commodity (\$)	31-July-18	31-Dec-17
Gold	1233.6	1309.3
Silver	15.50	16.98
Brent Crude Oil	74.21	66.87

Govt 10YR Bond	31-July-18	31-Dec-17
US	2.96	2.40
Japan (JGB)	0.05	0.05
Germany (Bund)	0.45	0.52

Global Markets ()	31-July-18	31-Dec-17
Dow Jones	25,415	24,719
Dax	12,805	12,817
CAC	5,511	5,312
Nikkie 225	22553	22,764
Shanghai	2,876	3,307
Sensex	37,606	34,056
Nifty 50	11,356	10,530

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