

Current Update

Market commentary from Rivers Capital Management.

For professional advisors only

Aug 2018



Market Commentary

August is traditionally a quiet month for investors but with Trump and Brexit continuing to dominate headlines there was plenty to keep us busy during the summer holidays.

In the UK a long-expected rise in interest rates took place at the beginning of the month, with the Bank of England raising interest rates by 0.25% to 0.75% – a modest win for savers perhaps but hardly significant. On the Brexit front, August saw no real progress towards a deal on either side. Theresa May continues to push the Chequers proposal, but few agree that this will be the final outcome. The Rivers Current Focus this month looks at the likely outcomes and concludes an extension, or delay, is inevitable. The FTSE finished the month down 4% and the pound lost 1% against the dollar.

In Europe, the Greek bailout ended but with unemployment still at 20% it is hardly a success story. In Italy the populist government set itself on a collision course with the EU by announcing €80bn investment in the nation's infrastructure to boost its flagging economy. So far, the impact on bond markets has been modest but the possibility of a debt crisis further down the road is increased. The major European stock markets were down in August, with the German and French stock markets falling 3% and 2% respectively. Whatever many in the UK think of President Trump, the equity market in the US continues to power ahead. In August, Trump threatened to pull out of the World Trade Organisation and doubled tariffs on Turkish aluminium and steel, causing the Turkish Lira to plummet but the US market was unaffected. In fact, the US was awash with good economic news. Figures released in August confirmed that the US economy had grown at an annualised rate of 4.2% and the equity market gained 2% for the month finishing at all-time highs.

In Asia, continuing worries about a US-China trade war are wreaking havoc on the Chinese markets. In August, the Shanghai Composite index was down by 5% and Hong Kong did only slightly better, falling by just 2%. Less affected by the tariffs so far, the Japanese markets finished up 1% as the economy returned to growth.

As well as China-US policy, dollar strength, impacted many other Emerging Markets significantly. The Turkish and Argentinian economies are on the verge of collapse and Venezuela is already over the cliff. The impact of these is yet to be felt in the developed markets but risk is clearly elevated. It is difficult not to worry over the medium-term consequences of Trump's global policies for the world.

10 Key Events to Watch:

UK		Previous	Forecast
Monday, Sep 10, 2018	Manufacturing Production (MoM) (Jul)	0.4%	0.3%
Monday, Sep 10, 2018	Trade Balance (Jul)	-11.38B	-12.05B
Tuesday, Sep 11, 2018	Unemployment Rate (Jul)	4.0%	4.2%
Thursday, Sep 13, 2018	BoE Interest Rate Decision	0.75%	0.75%
Wednesday, Sep 19, 2018	CPI (YoY) (Aug)	2.5%	-
GLOBAL			
Wednesday, Sep 12, 2018	Indian CPI (YoY) (Aug)	4.17%	4.51%
Thursday, Sep 13, 2018	Euro Interest Rate Decision (Sep)	-	-
Thursday, Sep 13, 2018	China Industrial Production (YoY) (Aug)	6.0%	5.9%
Monday, Sep 17, 2018	Euro CPI (YoY) (Aug)	2.0%	-
Wednesday, Sep 26, 2018	US Fed Interest Rate Decision	-	-

Key Recent Announcements

UK MANUFACTURING PMI (AUG):-

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

UK INFLATION RATE YOY AUG:-

The rate of inflation across the UK stood at 2.5 percent in August 2018, changed from 2.4 percent the previous month and below market expectations of 2.4 percent.

UNITED STATES GDP (QOQ) Q2:-

The USA GDP (QOQ) Q1 stood at 4.2 percent up from 4.10 percent from the previous quarter and above market expectations of 4.10 percent.

UK	31-Aug-18	31-Dec-17
FTSE 100	7,432.74	7687
FTSE 100 %Change	(-3.32%)	
BoE Interest Rate	0.50%	0.50%
CPI	2.50%	3.10%
Govt, 10YR Yield	1.29%	1.19%
FTSE 350	4157	4277

Currency	31-Aug-18	31-Dec-17
GBP/USD	1.2959	1.35
GBP/EURO	1.117	0.8878

Commodity (\$)	31-Aug-18	31-Dec-17
Gold	1206.7	1309.3
Silver	14.56	16.98
Brent Crude Oil	69.80	66.87

Govt 10YR Bond	31-Aug-18	31-Dec-17
US	2.86	2.40
Japan (JGB)	0.11	0.05
Germany (Bund)	0.33	0.52

Global Markets ()	31-Aug-18	31-Dec-17
Dow Jones	25,964	24,719
Dax	12,364	12,817
CAC	5,406	5,312
Nikkei 225	22,865	22,764
Shanghai	2,725	3,307
Sensex	38,645	34,056
Nifty 50	11,680	10,530

Contact

Richard Bonnor-Moris
rbm@riverscm.com

Eduardo Tomacelli
etomacelli@riverscm.com

Mark Hill-Reid
mhr@riverscm.com

Najib El-Rayyes
ner@riverscm.com

Rivers Capital Management

27 Gloucester Place

London

W1U 8HU

Tel. +44 (0)20 3383 0180

For further information or enquires, professional advisors please contact the investment team directly on **020 3383 0180** or by emailing **info@riverscm.com**

Disclaimer: Rivers Capital Management is authorised & regulated by the Financial Conduct Authority (FCA) Reference No. 801238. Its registered offices are at 27 Gloucester Place, W1U 8HU London, United Kingdom. This document is intended only for use by Financial Advisors and not for distribution to retail investors. This document does not constitute professional advice, or an offer, or a solicitation of an offer, to sell securities and no securities are to be offered or sold other than to persons whose ordinary activities involve them

in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or otherwise in circumstances which have not resulted and will not result in an offer to the public within the meaning of the Financial Services and Markets Act 2000. The Model Portfolio is not suitable for all types of investor and investor accounts may only be attached to it by the instruction of a professional Financial Advisor. Past performance is not necessarily a guide to the future performance. Market and currency movements

may cause the value of investments and the income from them to fall as well as rise. Unless otherwise stated, the source of all figures contained herein is Rivers Capital Management. Whilst all reasonable care has been taken in preparing this document, the information contained herein has been obtained from sources that we consider reliable but we do not represent that it is complete or accurate and it should not be relied upon as such.