

Current Update

September 2018



Market Commentary

September and the third quarter were both mixed for investors. With the exceptions of US and Japanese equities (and the Oil price) most indices struggled with fixed income, Anchor and Diversifier assets being the worst hit. It was another successful month, and quarter, for Enhancer assets but even then, returns were very mixed. Emerging Market equities, despite continued strong economic growth struggled most of all.

In the UK, after a difficult summer, and no update on Brexit negotiations, there was actually some positive economic news. Figures for July showed that the UK economy had grown at its fastest pace for a year, and unemployment remains at a 40-year low. That said the news did nothing to end the monthly trend of gloom for the beleaguered UK high street, as John Lewis saw its profits crash by 99% and other store closures were announced. No news on Brexit meant the pound, the best barometer for Brexit opinion, remained largely unchanged and fixed income markets disappointed with inflation rising again. In terms of rates, in sterling terms, both sovereign and corporate bonds posted negative returns for September and for the quarter.

On the other side of the pond it was another good month for the US economy. Unemployment remained low, wage growth rose, and corporate profits met or beat expectations. Amazon joined Apple in the trillion-dollar market cap club as the narrow breadth of the US stock market continued. After last year's tax cuts by Trump the latest PMI survey figures point to accelerating economic growth, despite the rising fears of a global trade war. As expected the Federal Reserve raised interest rates again taking them to a range between 2% and 2.25%. The Fed has made clear that its policy of gradual rate rises will continue in what could well be an overheating economy.

In Asia, Japanese equities did not manage to keep up with the US but rose 4.5% for the quarter and were much stronger than elsewhere in the region. China, which rallied during September did not manage to reverse all the losses it experienced in July and August. India on the other hand which had avoided, at least until September, the effects of the US led trade war, saw a sharp reversal in September (down 8.7%) as market liquidity concerns rose. Over the quarter all sectors within emerging markets were down as the effects of the trade war continue.

Within Diversifiers, commodities, especially Oil, rallied but Gold, Silver and Property all struggled throughout the quarter.

10 Key Events to Watch:

UK		Previous	Forecast
Wednesday, Oct 10, 2018	Manufacturing Production (MoM) (Aug)	-0.2%	0.2
Tuesday, Oct 16, 2018	Unemployment Rate (Aug)	4.0%	4.0%
Wednesday, Oct 17, 2018	CPI (YoY) (Sep)	2.7	2.4
Thursday, Oct 18, 2018	Retail Sales (MoM) (Sep)	0.3%	-
Monday, Oct 29, 2018	Autumn Budget	-	-
GLOBAL			
Thursday, Oct 11, 2018	USA CPI (MoM) (Sep)	0.2%	0.2%
Friday, Oct 12, 2018	Indian CPI (YoY) (Sep)	3.69%	3.86%
Wednesday, Oct 17, 2018	Euro CPI (YoY) (Sep)	2.0%	2.0%
Thursday, Oct 25, 2018	ECB Rate Decision and Press Conference	0.0%	0.0%
Friday, Oct 26, 2018	US GDP (3rd Quarter)	4.2%	2.6%

Key Recent Announcements

US ISM Non-MANUFACTURING PMI (SEP):

Survey results rose to 61.6 in September of 2018 from 58.5 in August, beating market expectations of 58. The reading pointed to a record growth in the services sector. Companies remain positive about business conditions and the future economy. Concerns remain about capacity and global trade.

UK MANUFACTURING PMI (SEP):

Manufacturing PMI stood at 52.8 as compared to 54.4 from the previous month.

UK INFLATION RATE YoY (SEP):

The rate of inflation across the UK stood at 2.7 percent in September 2018, changed from 2.5 percent the previous month and above market expectations of 2.4 percent.

UNITED STATES GDP QoQ (Q2):

The USA GDP (QoQ) Q2 stood at 4.2 percent similar with 4.0 percent from the previous quarter

UK	30-Sep-18	31-Dec-17
FTSE 100	7,510.20	7687
FTSE 100 %Change	(-2.31%)	
BoE Interest Rate	0.50%	0.50%
CPI	2.70%	3.10%
Govt, 10YR Yield	1.44%	1.19%
FTSE 350	4180	4277

Currency	30-Sep-18	31-Dec-17
GBP/USD	1.3030	1.35
GBP/EURO	1.1605	0.8878

Commodity (\$)	30-Sep-18	31-Dec-17
Gold	1196.2	1309.3
Silver	14.71	16.98
Brent Crude Oil	73.25	66.87

Govt 10YR Bond	30-Sep-18	31-Dec-17
US	3.06	2.40
Japan (JGB)	0.13	0.05
Germany (Bund)	0.47	0.52

Global Markets	30-Sep-18	31-Dec-17
Dow Jones	26,458	24,719
Dax	12,246	12,817
CAC	5,493	5,312
Nikkei 225	24,120	22,764
Shanghai	2,821	3,307
Sensex	36,227	34,056
Nifty 50	10,930	10,530

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