

# Current Update

October 2018



## Market Commentary

October was a challenging month for most investors and across nearly all asset classes. High equity valuations, combined with signs that global growth had peaked, resulted in sharp falls in nearly all equity indices. Credit and corporate bonds suffered and with interest rates continuing to rise in the US, and Central Banks reducing stimulus elsewhere, there was little protection in even government bonds. Within diversifiers, only Gold offered any notable protection rising 4% having been lower for most of the year.

In the UK there appeared to be little progress with Brexit negotiations and the retail sector became gloomier, but overall, the economic indicators remained positive. However, a fall in inflation to 2.4%, rising wages and ever lower unemployment did little to protect the value of the pound (down 2% against the dollar) or the UK equity market (down 5.2%) over the month. The month ended with the Budget, which was the most optimistic since the financial crisis, but as everything remains dependant on a Brexit agreement being reached, there was little to celebrate.

In US Equities the month started well but another interest rate rise and a pessimistic report from the IMF led to sharp falls from the second week of October. The US, which has so far been apparently immune from the slowdown seen in Emerging Markets, Asia and Europe, saw its worst period since early 2016. Concern over valuations, trade wars and politics seems finally to have impacted the strong economic momentum. Despite the fall US Equities remain the only major market that has now added value year to date (8.6% in Sterling terms)

European Equities, which have been negative for much of the year, lost further ground. With Brexit looming and the political situation in Italy and elsewhere worsening it is no wonder Angela Merkel has opted for retirement. What all this means for investors going forward is unknown. In Asia, Japan, which had performed well up until September saw a 7% loss and the reversal of all gains year to date.

Emerging Markets also struggled except for Brazil. Having elected a right-wing populist president the Brazilian equity market rallied by over 10%, but with India and China negative the overall EM Index offered no protection.

| UK                | 31-Oct-18 | 31-Dec-17 |
|-------------------|-----------|-----------|
| FTSE 100          | 7,128     | 7,687     |
| FTSE 100 %Change  | (-7.28%)  |           |
| BoE Interest Rate | 0.75%     | 0.50%     |
| CPI               | 2.40%     | 3.10%     |
| Govt, 10YR Yield  | 1.30%     | 1.19%     |
| FTSE 350          | 3,955     | 4,277     |

| Currency | 31-Oct-18 | 31-Dec-17 |
|----------|-----------|-----------|
| GBP/USD  | 1.27      | 1.35      |
| GBP/EURO | 1.13      | 0.8878    |

| Commodity (\$)  | 31-Oct-18 | 31-Dec-17 |
|-----------------|-----------|-----------|
| Gold            | 1,215     | 1,309.3   |
| Silver          | 14.28     | 16.98     |
| Brent Crude Oil | 65.31     | 66.87     |

| Govt 10YR Bond | 31-Oct-18 | 31-Dec-17 |
|----------------|-----------|-----------|
| US             | 3.14      | 2.40      |
| Japan (JGB)    | 0.13      | 0.05      |
| Germany (Bund) | 0.39      | 0.52      |

| Global Markets | 31-Oct-18 | 31-Dec-17 |
|----------------|-----------|-----------|
| Dow Jones      | 25,115    | 24,719    |
| Dax            | 11,447    | 12,817    |
| CAC            | 5,093     | 5,312     |
| Nikkei 225     | 21,920    | 22,764    |
| Shanghai       | 2,602     | 3,307     |
| Sensex         | 34,442    | 34,056    |
| Nifty 50       | 10,386    | 10,530    |

## 10 Key Events to Watch:

| UK                      |                                      | Previous | Forecast |
|-------------------------|--------------------------------------|----------|----------|
| Friday, Nov 09, 2018    | GDP (YoY) (Q3)                       | 1.2%     |          |
| Friday, Nov 09, 2018    | Manufacturing Production (MoM) (Sep) | -0.2%    | -        |
| Tuesday, Nov 13, 2018   | Unemployment Rate (Sep)              | 4.0%     | 4.0%     |
| Wednesday, Nov 14, 2018 | CPI (YoY) (Oct)                      | 2.4%     | 2.6%     |
| Thursday, Nov 15, 2018  | Retail Sales (YoY) (Oct)             | 3.0%     | 3.6%     |
| GLOBAL                  |                                      |          |          |
| Thursday, Nov 08, 2018  | US Fed Interest Rate Decision        | -        | -        |
| Tuesday, Nov 13, 2018   | Japan GDP (QoQ) (Q3)                 | 0.7%     | 0.3%     |
| Wednesday, Nov 14, 2018 | German GDP (QoQ) (Q3)                | 0.5%     | 2.0%     |
| Wednesday, Nov 14, 2018 | Euro GDP (QoQ) (Q3)                  | 0.2%     | -        |
| Friday, Nov 16, 2018    | Euro CPI (YoY) (Oct)                 | 2.2%     | 2.1%     |

## 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 the uncertainty with global trade.

### UK MANUFACTURING PMI (SEP):

Manufacturing PMI stood at 53.8 as compared to 53.0 from the previous month.

### UK INFLATION RATE YoY (SEP):-

The rate of inflation across the UK stood at 2.4 percent in September 2018, changed from 2.7 percent the previous month and above market expectations of 2.3 percent.

### UNITED STATES GDP (QoQ) Q3:-

The USA GDP (QoQ) Q2 stood at 3.5 percent as compared to 4.2 percent from the previous quarter and similar to market expectations of 3.3 percent.

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