

Current Update

November 2018



Market Commentary

Investor sentiment during November seemed never to recover from the lows of October, while investment markets to some degree did. Equities were mixed with Europe and the UK down but many other markets, including most emerging markets, were positive and reversing some of October's losses. Fixed income, both government and corporate, saw modest losses as rates rose and credit spreads widened. Crypto currencies, which we have no exposure to, fell precipitously but diversifiers such as gold and other precious metals held firm. The biggest loss (outside the cryptos) was seen in the oil prices which crashed over 20% as supply looks set to out strip demand for the foreseeable future.

In the UK, political chaos over Brexit completely dominated everything. Unusually both sterling and the stock market fell as uncertainty over what will happen next year overshadowed strong economic reports. Far from being the sick man of Europe UK GDP growth seems to have been positive in the third quarter (0.6%) and wage growth (3.2%) is now consistently beating inflation. In terms of Brexit the outcome seems less certain than it appeared just a few months ago, which in itself is remarkable. As we said in September the likelihood of a decision being made by March 29th is dwindling by the day and currently seems further away than ever.

In Europe the big story wasn't Brexit but it was certainly political. Riots in France against President Macron's latest economic policies led to the worst civil unrest since 1968. With the French President demanding new police powers and threatening to impose a state of emergency and the rising far right movements in Germany, Hungary and Poland those hoping for stability next year may be left disappointed. During November the broad European equity market lost nearly 2%.

Keeping with the trend, the US was also dominated by politics. The Republicans lost control of the House of Representatives, which will make it less likely that President Trump's more contentious proposals ever get approval but does increase uncertainty and the prospect of a government shutdown. There was some good news for the wider US economy, which added 250,000 new jobs in October, saw wages rise by 3.1% and unemployment fall to 3.7%, which contributed to the 2% gain in US Equities. This reversed some of the losses in October but did little to improve overall sentiment.

In Emerging Markets there was some strength in Indian equities but generally concern regarding the strong dollar and trade tariffs continued to affect confidence in equities.

10 Key Events to Watch:

UK		Previous	Forecast
Monday, Dec 10, 2018	Industrial Production (MoM) (Oct)	0.2%	-0.1%
Monday, Dec 10, 2018	Manufacturing Production (MoM) (Oct)	0.2%	-
Wednesday, Dec 19, 2018	CPI (YoY) (Nov)	2.4%	2.5%
Thursday, Dec 20, 2018	Retail Sales (MoM) (Nov)	-0.5%	0.2%
Friday, Dec 21, 2018	GDP (QoQ) (Q3)	0.6%	-
GLOBAL			
Wednesday, Dec 12, 2018	India CPI (YoY) (Nov)	3.31%	3.67%
Thursday, Dec 13, 2018	China Industrial Production (YoY) (Nov)	5.9%	5.9%
Friday, Dec 14, 2018	German Manufacturing PMI (Dec)	53.3	54.5
Monday, Dec 17, 2018	Euro CPI (YoY) (Nov)	2.0%	3.7%
Friday, Dec 21, 2018	US GDP (QoQ) (Q3)	3.5%	4.2%

Key Recent Announcements

US ISM Non-MANUFACTURING PMI (OCT):

Survey results decline to 60.3 in October of 2018 from 61.6 in September, beating market expectations of 59.3.

UK MANUFACTURING PMI (OCT):

Manufacturing PMI stood at 51.8 as compared to 53.6 from the previous month.

UK INFLATION RATE YoY (OCT):-

The rate of inflation across the UK stood at 2.4 percent in October 2018, similar to 2.4 percent the previous month and below market expectations of 2.5 percent.

UNITED STATES GDP (QoQ) Q3:-

The USA GDP (QoQ) Q3 stood at 3.5 percent as compared to 3.5 percent from the previous quarter and below the market expectations of 3.6 percent.

UK	30-Nov-18	31-Dec-17
FTSE 100	6980	7,687
FTSE 100 %Change	-9.20%	
BoE Interest Rate	0.75%	0.50%
CPI	2.40%	3.10%
Govt, 10YR Yield	1.22%	1.19%
FTSE 350	3,872	4,277

Currency	30-Nov-18	31-Dec-17
GBP/USD	1.28	1.35
GBP/EURO	0.8850	0.8878

Commodity (\$)	30-Nov-18	31-Dec-17
Gold	1,226	1,309.3
Silver	14.22	16.98
Brent Crude Oil	58.71	66.87

Govt 10YR Bond	30-Nov-18	31-Dec-17
US	2.99	2.40
Japan (JGB)	0.09	0.05
Germany (Bund)	0.32	0.52

Global Markets	30-Nov-18	31-Dec-17
Dow Jones	25,538	24,719
Dax	11,257	12,817
CAC	5,003	5,312
Nikkei 225	22,351	22,764
Shanghai	2,588	3,307
Sensex	36,194	34,056
Nifty 50	10,876	10,530

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