

# Current Update

December 2018



## Market Commentary

Nearly all Enhancer asset classes posted sharp declines in December to finish an extremely challenging final quarter to 2018. Persistent concerns over global trade and slowing economic growth, combined with another rise in US interest rates contributed to the changing sentiment. Anchor assets, in particular government bonds, and Diversifiers, more specifically Gold, offered some protection, but nearly all mixed asset portfolios lost value over the month

The FTSE All-Share fell over the period, with global developments setting the tone for the market. Sterling fell in response to political noise around Brexit, with worries of a "no deal" departure from the EU coming to the fore again. Like all major world stock markets, the FTSE 100 index of leading shares was down in December, falling by 4% to 6,728. The FTSE started the year at 7,688, meaning that it fell by more than 12% in the year. The pound ended the year at \$1.27, virtually unchanged in December but down 6% for the year as a whole.

European equities also declined, with trade tariffs, slower Chinese growth and Brexit combining to form a difficult environment. Data continued to point to slowing momentum in the eurozone economy. Both the German and French stock markets had poor months in December. The German DAX index was down by 6% and the French index by 5% to 4,731 – meaning that the markets respectively ended down 18% and 11% for the year as a whole.

US equities declined, with especially steep falls in December. The Federal Reserve raised rates, as expected. Warnings from several high profile IT firms fanned fears that earnings growth may slow and the US Government 'shutdown' over a spat between the President, the Democrats and Trump's wall on the Mexican border. The S&P lost 9% during December despite rally in the last few days and finished the year down in local terms but up 1% in sterling terms

Japanese equities had held up reasonably during 2018 but lost 10% during December, having lost nearly 5% in a single trading session during Christmas. Yen currency strength protected international investors but the index finished the year 8.6% lower in sterling terms. Emerging markets equities lost value with the familiar array of global trade and growth concerns weighing on returns. Over the year, Emerging Markets never recovered from the effect of the trade war and finished down 9.5% in sterling terms. On a local basis the Indian, Brazilian and Russian markets were positive for the year as a whole but volatility has been high across them all.

## 10 Key Events to Watch:

| UK                      |   | Previous | Forecast |
|-------------------------|---|----------|----------|
| Friday, Jan 11, 2019    | Manufacturing Production (MoM) (Oct)    | -0.9%    | -        |
| Tuesday, Jan 15, 2019   | UK Parliament Vote on Brexit Deal       | Tentive  | -        |
| Wednesday, Dec 16, 2019 | CPI (YoY) (Dec)                         | 2.3%     | 2.3%     |
| Friday, Jan 18, 2019    | Retail Sales (MoM) (Dec)                | 1.4%     | 0.3%     |
| Tuesday, Jan 22, 2019   | Unemployment Rate (Nov)                 | 4.1%     | 4.1%     |
| GLOBAL                  |   |          |          |
| Monday, Jan 14, 2019    | India CPI (YoY) (Dec)                   | 2.33%    | 2.80%    |
| Tuesday, Jan 15, 2019   | French GDP (QoQ) (Q4)                   | 0.3%     | 0.5%     |
| Thursday, Jan 17, 2019  | Euro CPI (YoY) (Dec)                    | 2.0%     | 2.0%     |
| Sunday, Jan 20, 2019    | China Industrial Production (YoY) (Dec) | 5.4%     | 5.9%     |
| Wednesday, Jan 30, 2019 | Fed Interest Rate Decision              | -        | -        |

## Key Recent Announcements

### US ISM MANUFACTURING PMI (Nov):

Survey results shows uptrend to 59.3 in December of 2019 from 57.7 in October, beating market expectations of 57.6.

### UK MANUFACTURING PMI (Nov):

Manufacturing PMI stood at 53.1 as compared to 51.1 from the previous month.

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

The rate of inflation across the UK stood at 2.3 percent in November 2019, compared to 2.4 percent the previous month and same as market expectations of 2.3 percent.

### UNITED STATES FED INTEREST DECISION:-

The Interest rate increased by 0.25 basis points to 2.50% as compared to 2.25%.

| UK                | 31-Dec-18 | 31-Dec-17 |
|-------------------|-----------|-----------|
| FTSE 100          | 6,728     | 7,687     |
| FTSE 100 %Change  | -12.5%    |           |
| BoE Interest Rate | 0.75%     | 0.50%     |
| CPI               | 2.30%     | 3.10%     |
| Govt, 10YR Yield  | 1.15%     | 1.19%     |
| FTSE 350          | 3,772     | 4,277     |

| Currency | 31-Dec-18 | 31-Dec-17 |
|----------|-----------|-----------|
| GBP/USD  | 1.28      | 1.35      |
| GBP/EURO | 0.90      | 0.8878    |

| Commodity (\$)  | 31-Dec-18 | 31-Dec-17 |
|-----------------|-----------|-----------|
| Gold            | 1,283.0   | 1,309.3   |
| Silver          | 15.44     | 16.98     |
| Brent Crude Oil | 54.16     | 66.87     |

| Govt 10YR Bond | 31-Dec-18 | 31-Dec-17 |
|----------------|-----------|-----------|
| US             | 2.68      | 2.40      |
| Japan (JGB)    | 0.00      | 0.05      |
| Germany (Bund) | 0.24      | 0.52      |

| Global Markets | 31-Dec-18 | 31-Dec-17 |
|----------------|-----------|-----------|
| Dow Jones      | 23,327    | 24,719    |
| Dax            | 10,558    | 12,817    |
| CAC            | 4,730     | 5,312     |
| Nikkei 225     | 20,014    | 22,764    |
| Shanghai       | 2,493     | 3,307     |
| Sensex         | 36,068    | 34,056    |
| Nifty 50       | 10,862    | 10,530    |

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