

Current Update

February 2019



Market Commentary

February was generally positive for investors, but markets remained volatile as the rebound experienced in January slowed. Domestic uncertainty regarding Brexit continued although the chances of an unplanned 'no-deal' exit from Europe appear diminished. Similarly hopes of a positive resolution of the trade war between the US and China boosted confidence and increased valuations significantly.

As well as Brexit dominating the news in the UK, politics seems to be in the headlines everywhere. In the US President Trump held a second meeting with North Korea's Kim Jong-Un. The talks did take place but ended without agreement, as the US refused North Korea's demands for sanctions relief. A cynic may imagine the talks were a distraction as at the same time President Trump's former lawyer was testifying to Congress and claiming that the leader of the free world is a "racist, conman and a cheat." In India and China the escalation of the tensions in the Kashmiri region were certainly more concerning.

In investment terms the month was positive for nearly all asset classes. For Enhancers the UK, US, Japanese and European equity indices all finished positively. They rose 2%, 4%, 3% and 3% respectively. These indices remain somewhat off their 2018 highs but the concerns broadly felt in December have diminished considerably.

For emerging market equities index returns were mixed. The best performer was China A-shares which rallied hard (14%) on expectations that the US Trade war may reach a resolution although this didn't translate directly to Hong Kong (1.5%). In terms of the Trade War we think a respite is more likely than a resolution as China continues to grow. We specifically discuss this issue in this month's Focus piece. Elsewhere in EM, India (down 1%) was down modestly due to concerns over Kashmir, Brazil lost 2% after a very strong January and the general EM index finished down 1% in sterling terms.

In Anchors Gilts (-1%) lost some value on the back of international sales of UK assets. The Enhancers corporate and high yield bonds were positive as the rally in equities saw the yield spread contract modestly.

In Diversifiers Gold and precious metals lost value for the month but remain up year to date. Other commodities and property were positive. Absolute return and thematic funds had mixed returns but the increased volatility continues to offer good opportunity for active management.

UK	28-Feb-19	31-Dec-18
FTSE 100	7,074	6,728
FTSE 100 %Change	5.15%	-12.5%
BoE Interest Rate	0.75%	0.75%
CPI	1.80%	2.30%
Govt, 10YR Yield	1.17%	1.15%
FTSE 350	3,962	3,772

Currency	28-Feb-19	31-Dec-18
GBP/USD	1.31	1.28
GBP/EURO	1.14	0.90

Commodity (\$)	28-Feb-19	31-Dec-18
Gold	1,316	1,283.0
Silver	15.63	15.44
Brent Crude Oil	66.03	54.16

Govt 10YR Bond	28-Feb-19	31-Dec-18
US	2.72	2.68
Japan (JGB)	-0.03	0.00
Germany (Bund)	0.19	0.24

Global Markets	28-Feb-19	31-Dec-18
Dow Jones	25,916	23,327
Dax	11,515	10,558
CAC	5,240	4,730
Nikkei 225	21,385	20,014
Shanghai	2,941	2,493
Sensex	35,867	36,068
Nifty 50	10,792	10,862

10 Key Events to Watch:

UK		Previous	Forecast
Tuesday, Mar 12, 2019	Manufacturing Production (MoM) (Jan)	-0.7%	0.25%
Wednesday, Mar 20, 2019	CPI (YoY) (Feb)	1.8%	1.9%
Thursday, Mar 21, 2019	Retail Sales (MoM) (Feb)	1.0%	0.2%
Thursday, Mar 21, 2019	BoE Interest Rate Decision (Mar)	0.75%	0.75%
GLOBAL			
Tuesday, Mar 12, 2019	India CPI (YoY) (Feb)	2.05%	2.50%
Wednesday, Mar 13, 2019	China Industrial Production (YoY) (Jan)	5.7%	5.5%
Friday, Mar 15, 2019	Euro GDP (YoY) (Feb)	1.5%	1.45
Wednesday, Mar 20, 2019	Fed Interest Rate Decision	-	-
Friday, Mar 22, 2019	German Manufacturing PMI (Mar)	47.6	-

Key Recent Announcements

US ISM MANUFACTURING PMI (Jan):

Survey results shows uptrend to 56.6 in January of 2019 from 54.3 in December, against market expectations of 54.2.

UK MANUFACTURING PMI (Jan):

Manufacturing PMI stood at 52.8 as compared to 54.2 from the previous month.

UK INFLATION RATE YoY (JAN):-

The rate of inflation across the UK stood at 1.8 percent in January 2019, compared to 2.1 percent the previous month and below market expectations of 1.9 percent.

UK BOE INTEREST DECISION:-

The Interest rate remains same at 0.75%.

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