

Current Update

March 2019



Market Commentary

While the UK has been overwhelmingly dominated by politics and the chaos that has been Brexit, global investment markets have continued their recovery from the losses in the last quarter of 2018. March was a continuation of that trend. Since the New Year, hopes of lower interest rates and a resolution in the China-US trade dispute, have brought a new wave of optimism, with equities and credit rallying strongly across the world.

In March, sterling weakness and falling interest rate expectations boosted prices in Gilts at all maturities. Gilts were the best performing government bonds for the month and ended the quarter up 3.5% year to date. Due to Brexit uncertainty and mixed economic data, the Bank of England has remained on hold throughout the quarter, despite rising wage pressures increasing inflation expectations. As a result, Inflation-linked bonds jumped 4.2% over the month. This led to a positive contribution to returns from the Anchor allocation across all portfolios.

Despite Brexit uncertainty and a weaker pound, the UK economy is being supported by a strong labour market, with unemployment at 3.9% and wages rising by 3.4% year on year. Inventories have also contributed positively to growth over the last few quarters. This combination has kept growth in positive territory despite weak consumer confidence and a contraction in business investment.

The European Central Bank (ECB) kept the deposit rate steady at -0.4% and said it would not raise rates until at least next year, having previously said it wouldn't hike until the summer at the earliest. The ECB also announced a new round of cheap financing for the banking sector and discussed measures to reduce the drag that negative rates have had on bank profits.

Enhancer assets were also affected by the weaker pound as it enhanced UK corporate earnings while simultaneously adding to the return of any unhedged foreign exposure within portfolios. In sterling terms, the US, European and Japanese equity markets increased by 2.6%, 4.0% and 2.8% respectively. Notwithstanding the usual bluster from President Trump there were no real advances in trade talks between the US and China, but sentiment did continue to improve. The release of the Mueller report which cleared Trump of any illegal collusion with Russia may have removed some uncertainty but appeared to have little market impact.

In Emerging Markets, Chinese and Indian equities rebounded strongly during March. The Chinese trade war and Indian election concerns diminished substantially during the month as both economies look well placed for a re-acceleration of growth in the coming months. The Chinese authorities are now stimulating domestic demand with a package of tax cuts, infrastructure investment and measures designed to support bank credit growth.

10 Key Events to Watch:

UK		Previous	Forecast
Wednesday, Apr 10, 2019	Manufacturing Production (MoM) (Feb)	0.8%	-
Tuesday, Apr 16, 2019	Claimant Count Change (Mar)	27K	-
Tuesday Apr 16, 2019	Unemployment Rate (Feb)	3.9%	4.0%
Wednesday, Apr 17, 2019	CPI (YoY) (Mar)	1.9%	1.8%
GLOBAL			
Wednesday, Apr 10, 2019	Eur ECB Interest Rate Decision		
Tuesday, Apr 16, 2019	China GDP (YoY) (Q1)	6.4%	6.4%
Thursday, Apr 18, 2019	Japan National Core CPI (YoY) (Mar)	0.7%	0.8%
Monday, Apr 22, 2019	German Manufacturing PMI (Apr)	44.1	48.0
Monday, Apr 22, 2019	USA Existing House Sales (Mar)	5.51M	5.10M

Key Recent Announcements

US ISM MANUFACTURING PMI (Feb):

Survey results shows downtrend to 54.2 in February of 2019 from 56.6 in January, against market expectations of 55.5.

UK MANUFACTURING PMI (Feb):

Manufacturing PMI stood at 52.0 as compared to 52.6 from the previous month.

UK INFLATION RATE YoY (FEB):-

The rate of inflation across the UK stood at 1.9 percent in February 2019, compared to 1.8 percent the previous market expectations of 1.8 percent.

UK BOE INTEREST DECISION:-

The Interest rate remains same at 0.75%.

UK	29-Mar-19	31-Dec-18
FTSE 100	7,279	6,728
FTSE 100 %Change	8.19%	-12.5%
BoE Interest Rate	0.75%	0.75%
CPI	1.90%	2.30%
Govt, 10YR Yield	1.00%	1.15%
FTSE 350	4,033	3,772

Currency	29-Mar-19	31-Dec-18
GBP/USD	1.30	1.28
GBP/EURO	1.16	0.90

Commodity (\$)	29-Mar-19	31-Dec-18
Gold	1,298	1,283.0
Silver	14,99	15.44
Brent Crude Oil	68.39	54.16

Govt 10YR Bond	29-Mar-19	31-Dec-18
US	2.41	2.68
Japan (JGB)	-0.09	0.00
Germany (Bund)	-0.07	0.24

Global Markets	29-Mar-19	31-Dec-18
Dow Jones	25,928	23,327
Dax	11,526	10,558
CAC	5,350	4,730
Nikkei 225	21,205	20,014
Shanghai	3,091	2,493
Sensex	38,672	36,068
Nifty 50	11,623	10,862

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