

Current Update

May 2019



Market Commentary

After a very strong start to the year, May saw a partial reversal in equity returns but this only moderately impacted the portfolio overall. The weakness in sterling offered some protection to global equity losses and the defensive positioning across the portfolios managed to significantly reduce any drawdowns. The declines were seen mainly in Enhancer Assets as Anchor Assets provided some safety for investors. Escalating concern over trade affected Asian equities broadly although our Indian equity exposure benefited from the re-election of President Modi.

The main event during May was the breakdown in trade negotiations between the US and China, but the impact so far has been felt more in equity markets than the overall economy. From 10th May, the US increased the tariff rate on \$200 billion worth of Chinese imports from 10% to 25%, and announced that it may impose a 25% tariff on the remaining \$300 billion worth of Chinese imports. This led to China retaliating by increasing the tariff range from 5-10% to 5-25% on \$60 billion worth of imports from the US. At the end of the month the potential trade war widened to include Mexico as President Trump threatened tariffs in an attempt to reduce illegal immigration.

In the UK, Brexit remained the significant story and the perceived increased probability of No-Deal lowered sterling valuation (-3.3%). With a new Prime Minister unlikely to be chosen until the end of July the uncertainty will likely continue. Reflecting the global fall in equities, the FTSE 100 lost 2.9% despite being boosted by the fall in sterling value. Gilt yields, along with most government bonds fell sharply across the globe as investors sought safety from the concerns over global trade.

In Europe the European Parliament elections, which took place from 22nd to 26th May, yielded a generally positive result for the European project. Populist or euro-sceptic parties gained seats compared to the last election in 2014, but they underperformed expectations. The centrist parties of the EPP and S&D remain the largest two parties in parliament despite losing their combined majority. For now, the results are more likely to have bigger implications at the national level, particularly in Italy, Greece and the UK. Europe ex UK equities fell by 4.8% over the month.

The relatively benign market environment was disturbed in May, as politics again took centre stage. Investors will be watching how trade negotiations develop, with a close eye on the G20 summit at the end of June. Beyond politics, we should remember to focus on the economic fundamentals. China is aiming to steady the ship with its stimulus efforts, and success there could provide a tailwind for growth elsewhere in the world.

10 Key Events to Watch:

UK		Previous	Forecast
Monday, June 10, 2019	Industrial Production (YoY) (Apr)	1.3%	0.5%
Monday, June 10, 2019	Manufacturing Production (YoY) (Apr)	2.6%	1.3%
Tuesday June 11, 2019	Unemployment Rate (Apr)	3.8%	3.9%
Wednesday, June 19, 2019	CPI (YoY) (Apr)	2.1%	2.2%
Thursday, June 20, 2019	BoE Interest Rate (Jun)	0.75%	-
GLOBAL			
Monday, June 10, 2019	Japan GDP (QoQ) (Q1)	0.5%	0.4%
Wednesday, June 12, 2019	China CPI (YoY) (May)	0.1%	0.1%
Tuesday, June 18, 2019	Euro CPI (YoY) (May)	1.2%	1.7%
Wednesday, June 19, 2019	US Fed Interest Rate Decision	-	-
Friday, June 21, 2019	German Manufacturing PMI (Jun)	44.3	44.8

Key Recent Announcements

US ISM MANUFACTURING PMI (Apr):

Survey results shows uptrend to 57.40 in April 2019 from 55.3 in March, against market expectations of 54.5.

UK MANUFACTURING PMI (Apr):

Manufacturing PMI stood at 53.10 as compared to 55.1 from the previous month.

UK INFLATION RATE YoY (APR):-

The rate of inflation across the UK stood at 1.9 percent in April 2019, compared to 1.9 percent the previous market expectations of 2.0 percent.

UK BOE INTEREST DECISION:-

The Interest rate remains same at 0.75%.

UK	31-May-19	31-Dec-18
FTSE 100	7,161	6,728
FTSE 100 %Change	6.44%	-12.5%
BoE Interest Rate	0.75%	0.75%
CPI	1.90%	2.30%
Govt, 10YR Yield	0.89%	1.15%
FTSE 350	3,973	3,772

Currency	31-May-19	31-Dec-18
GBP/USD	1.26	1.28
GBP/EURO	1.13	0.90

Commodity (\$)	31-May-19	31-Dec-18
Gold	1,311	1,283.0
Silver	14.57	15.44
Brent Crude Oil	61.99	54.16

Govt 10YR Bond	31-May-19	31-Dec-18
US	2.13	2.68
Japan (JGB)	-0.1	0.00
Germany (Bund)	-0.2	0.24

Global Markets	31-May-19	31-Dec-18
Dow Jones	24,815	23,327
Dax	11,726	10,558
CAC	5,207	4,730
Nikkei 225	20,601	20,014
Shanghai	2,899	2,493
Sensex	39,714	36,068
Nifty 50	11,999	10,862

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