

Current Update

June 2019



Market Commentary

Optimism guided global equity markets in June fuelled by the prospect of interest rate cuts by central banks globally and hope that the US-China trade war could still be resolved. Rebounding from a rout in May, markets shrugged off concerns about a slowing global economy to focus instead on the prospect of interest rate cuts around the world. Meanwhile, ahead of the highly anticipated US-China presidential meeting at the G20 gathering in Osaka hopes were high for a breakthrough in the trade war. A decision at the end of the month to resume trade talks after a six-week stalemate was set to further support global economic growth.

The US equity market was led higher by materials, energy and tech stocks. It was a reversal of fortune for the materials sector, supported by gold prices that hit six-year highs on the back of a weakening US dollar and heightened geopolitical tensions earlier in the month. The price of oil fuelled the share prices of energy stocks as US inventories dipped and exports hit a record high, while an incident involving oil tankers in the Gulf of Oman sent oil prices climbing higher. Utilities, real estate, consumer staples and health care – all traditionally defensive stocks and less sensitive to the business cycle – were the laggards during a month in which optimism reigned.

In the UK, markets recovered most of the ground lost during a volatile May, to end the two-month period broadly flat. UK equities rose steadily alongside international markets, soothed by an improving outlook for global economic growth, the prospect of improved US-Sino trade relations and a more accommodative tone (by leaving interest rates unchanged) from central banks including the US Federal Reserve. European equity markets also made strong gains in June as investors remained hopeful that US president, Donald Trump and president of China, Xi Jinping would move closer to a trade deal at the G20 summit.

Emerging equity markets rallied across the board during June with confidence boosted by growing expectations that central banks across several countries, including the US and China, stand ready to lower interest rates on global growth concerns - the futures market is currently pricing in three US interest rate cuts this year, starting in July. While a trade deal between the US and China remains elusive, the recently concluded G20 meeting in Osaka ended on a positive note with additional tariffs being delayed indefinitely.

Within fixed interest, many parts of the corporate bond market had their best month of returns so far this year. The euro denominated investment grade (bond rating that indicates a low risk of default) market had its best monthly return since July 2016. In part, this strong performance reflected an expectation that any resumption of Quantitative Easing (increasing supply of money) by the European Central Bank would include corporate bond purchases.

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 (Jun):

Survey results shows uptrend to 52.10 in June 2019 from 52.80 in May, against market expectations of 54.5.

UK MANUFACTURING PMI (Apr):

Manufacturing PMI stood at 49.40 as compared to 53.1 from the previous month.

UK INFLATION RATE YoY (APR):-

The rate of inflation across the UK stood at 2.00 percent in June 2019, compared to 2.10 percent the previous market expectations of 2.0 percent.

UK BOE INTEREST DECISION:-

The Interest rate remains same at 0.75%.

UK	30-Jun-19	31-Dec-18
FTSE 100	7,425	6,728
FTSE 100 %Change	10.37%	-12.5%
BoE Interest Rate	0.75%	0.75%
CPI	2.00%	2.30%
Govt, 10YR Yield	0.83%	1.15%
FTSE 350	4,112	3,772

Currency	30-Jun-19	31-Dec-18
GBP/USD	1.26	1.28
GBP/EURO	1.11	0.90

Commodity (\$)	30-Jun-19	31-Dec-18
Gold	1,413	1,283.0
Silver	15.34	15.44
Brent Crude Oil	66.55	54.16

Govt 10YR Bond	30-Jun-19	31-Dec-18
US	2.01	2.68
Japan (JGB)	-0.16	0.00
Germany (Bund)	-0.32	0.24

Global Markets	30-Jun-19	31-Dec-18
Dow Jones	26,599	23,327
Dax	12,398	10,558
CAC	5,538	4,730
Nikkei 225	21,275	20,014
Shanghai	2,978	2,493
Sensex	39,394	36,068
Nifty 50	11,861	10,862

Contact

Richard Bonnor-Morris
rbm@riverscm.com

Eduardo Tomacelli
etomacelli@riverscm.com

Najib El-Rayyes
ner@riverscm.com

Rivers Capital Management

27 Gloucester Place

London

W1U 8HU

Tel. +44 (0)20 3383 0180

For further information or enquires, professional advisors please contact the investment team directly on **020 3383 0180** or by emailing **info@riverscm.com**

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