

Current Update

July 2019



Market Commentary

July was a positive month for nearly all asset classes, at least in sterling terms. Within Anchor assets the best performing investment was inflation linked bonds. Nearly all Enhancer assets were positive, led by US and Global Equity funds. The strongest returns of all, for July and year to date, have been seen within Diversifiers where precious metals, commodities and insurance have offered strong uncorrelated returns.

The UK was one of the best performing major stock markets during July in local currency terms. Sterling fell sharply as a result of increased Brexit uncertainty which provided a boost for overseas earners at the top end of the market. Several large cap companies which are perceived to have dependable growth prospects extended their strong year-to-date gains amid concerns around the outlook for the global economy. The share prices of these so-called "quality growth" stocks have risen far more quickly than their earnings. Sterling was weak on renewed fears of a disorderly EU departure after Boris Johnson came to power as the UK's new prime minister on a "do or die" pledge to achieve Brexit on 31 October, deal or no deal.

Global developed equities gained in July, but emerging market shares fell amid US dollar strength. In the US, GDP growth slowed but economic data and earnings generally remained resilient compared to the rest of the world. The Federal Reserve cut interest rates at the end of the month. Eurozone equities were virtually flat in July. Top performing sectors included IT and consumer staples. The eurozone economy expanded by 0.2% in Q2, slowing from 0.4% in Q1.

Japanese shares gained modestly in local terms, but the currency was strong. Prime Minister Abe's party won the Upper House elections which effectively removed any uncertainty over the rise in the consumption tax, scheduled for October. Emerging markets shares fell, threatened by the headwind of a stronger US dollar. South Korea was weak due to a trade dispute with Japan and India underperformed following a disappointing Union Budget announcement.

UK Government bond yields fell further, primarily on the stance of the new government. This boosted our Anchor returns as the Bank of England appeared more likely to follow the Federal Reserve and ECB in easing monetary policy. Expectations of an interest rate cut in the US continued to build as the 31 July Fed policy meeting came into view. As the meeting drew closer investors seemed all but certain of a 0.25% cut, with some expecting 0.5%. The Fed implemented a 0.25% cut at its meeting, taking rates to 2.00-2.25%, but tempered expectations of further rate cuts.

10 Key Events to Watch:

UK		Previous	Forecast
Tuesday, Aug 13, 2019	UK Unemployment Rate (Jun)	3.8%	3.8%
Tuesday, Aug 13, 2019	UK Claimant Count Change (Jul)	38K	22.8K
Tuesday, Aug 13, 2019	UK Average Earnings Index + Bonus	3.6%	3.5%
Wednesday, Aug 14, 2019	CPI (YoY) (Jul)	2.0%	-
Thursday, Aug 15, 2019	Retail Sales (YoY)	3.8%	-
GLOBAL			
Tuesday, Aug 13, 2019	US CPI (YoY) (Jul)	1.6%	1.7%
Tuesday, Aug 13, 2019	China Industrial Production (YoY)	6.35	5.8%
Wednesday, Aug 14, 2019	German GDP (YoY) (Q2)	0.60%	0.70%
Wednesday, Aug 14, 2019	Euro GDP (YoY) (Q2)	1.10%	1.10%
Thursday, Aug 22, 2019	Euro Manufacturing PMI (Aug)	46.50%	47.60%

Key Recent Announcements

US ISM MANUFACTURING PMI (Jun):

Survey results shows down trend to 51.7 in June 2019 from 52.1 in May, against market expectations of 52.5.

UK MANUFACTURING PMI (Jun):

Manufacturing PMI stood at 48.0 as compared to 49.4 from the previous month.

UK INFLATION RATE YoY (JUN):-

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

UK BOE INTEREST DECISION:-

The Interest rate remains same at 0.75%.

UK	31-Jul-19	31-Dec-18
FTSE 100	7586	6,728
FTSE 100 %Change	12.76%	-12.5%
BoE Interest Rate	0.75%	0.75%
CPI	2.00%	2.30%
Govt, 10YR Yield	0.61%	1.15%
FTSE 350	4194	3,772

Currency	31-Jul-19	31-Dec-18
GBP/USD	1.22	1.28
GBP/EURO	1.10	0.90

Commodity (\$)	31-Jul-19	31-Dec-18
Gold	1437	1,283.0
Silver	16.73	15.44
Brent Crude Oil	65.17	54.16

Govt 10YR Bond	31-Jul-19	31-Dec-18
US	2.01	2.68
Japan (JGB)	-0.15	0.00
Germany (Bund)	-0.44	0.24

Global Markets	31-Jul-19	31-Dec-18
Dow Jones	26,864	23,327
Dax	12,189	10,558
CAC	5,518	4,730
Nikkei 225	21,521	20,014
Shanghai	2,932	2,493
Sensex	37,056	36,068
Nifty 50	11,118	10,862

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