

# Current Update

August 2019



## Market Commentary

Despite a falling pound boosting non-UK returns many Enhancer asset benchmarks, particularly developed and emerging market equities, lost value over the month. Particularly hit were Chinese and Asian indices as President Trump further increased pressure on trade and tariffs.

Global stock markets declined while perceived safe haven assets such as bonds outperformed amid escalating worries over trade and growth. The closely watched US treasury yield 'curve' inverted making long term interest rates lower than short term rates and thereby suggesting rising recession risk.

US equities declined in August, although the falls were less pronounced than in other major markets. The Federal Reserve (Fed) cut interest rates, as expected, at the end of July. The Fed's comments indicated that the move was an adjustment rather than the start of an easing cycle. US GDP growth for Q2 was revised to 2.0% in line with consensus forecasts.

Eurozone shares ended lower in August with the MSCI EMU (Economic and Monetary Union) index returning -1.2%. Weak economic data from Germany weighed on stock markets while Brexit uncertainty remains another key concern for markets.

UK equities fell over August. Sterling recovered some ground lost in July but fell in the final week of the month. The prospect of a no-deal Brexit rose with the government unveiling plans for a lengthy prorogation of parliament. The commodity and financial sectors led the falls amid ongoing concerns around the outlook for the global economy. On the other hand, defensive areas, including healthcare, utilities and consumer goods, held up well as investors became more cautious.

The Japanese market fell sharply in early August and then moved sideways to record a total return of -3.4%. These moves basically mirrored the currency market. The yen moved sharply higher against the dollar in the first few days of the month following July's reduction in US interest rates.

Asia ex Japan equities were down as the US-China trade dispute escalated. The MSCI AC Asia ex Japan index returned -4.4% in the month. Hong Kong was among the weakest equity markets as demonstrations continued.

Emerging market equities lost value with further strengthening of the US dollar exacerbating wider risk aversion. The MSCI Emerging Markets Index decreased in value and underperformed the MSCI World.

Government bond yields declined significantly (meaning prices rose) amid the various geopolitical concerns. The US 10-year government bond yield fell 35 basis points, closing the month at 1.50%, a three-year low, while the two-year yield also ended at 1.50%. Gold and other precious metals added the most value as investors sought protection of very low interest rates and falling confidence.

## 10 Key Events to Watch:

UK		Previous	Forecast
Tuesday, Sep 10, 2019	Claimant Count Change	28.0K	-
Tuesday, Sep 10, 2019	Unemployment Rate	3.9%	3.9%
Wednesday, Sep 18, 2019	CPI (YoY)	2.1%	1.9%
Thursday, Sep 19, 2019	BoE Interest Rate	0.75%	0.75%
Thursday, Sep 19, 2019	Retail Sales (YoY)	3.3%	-
<b>GLOBAL</b>			
Thursday, Sep 12, 2019	ECB Interest Rate Decision	0.00%	0.00%
Wednesday, Sep 18, 2019	US Fed Interest Rate Decision	2.25%	-
Monday, Sep 23, 2019	German Manufacturing PMI	43.5%	43.0%
Thursday, Sep 26, 2019	US GDP (QoQ) (Q2)	2.0%	3.1%
Monday, Sep 30, 2019	China Caixin Manufacturing PMI	50.4%	49.8%

## Key Recent Announcements

### US ISM MANUFACTURING PMI (Aug):

Survey results shows down trend to 51.2 in Aug 2019 from 52.7 in Jul, against market expectations of 52.0.

### UK MANUFACTURING PMI (Aug):

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

### UK INFLATION RATE YoY (AUG):-

The rate of inflation across the UK stood at 2.1 percent in Aug 2019, compared to 2.0 percent the previous market expectations of 1.9 percent.

### UK BOE INTEREST DECISION:-

The Interest rate remains same at 0.75%.

UK	31-Aug-19	31-Dec-18
FTSE 100	7207	6,728
FTSE 100 %Change	7.12%	
BoE Interest Rate	0.75%	0.75%
CPI	2.10%	2.30%
Govt, 10YR Yield	0.48%	1.15%
FTSE 350	4009	3,772

Currency	31-Aug-19	31-Dec-18
GBP/USD	1.21	1.28
GBP/EURO	0.89	0.90

Commodity (\$)	31-Aug-19	31-Dec-18
Gold	1529.4	1,283.0
Silver	18.34	15.44
Brent Crude Oil	59.25	54.16

Govt 10YR Bond	31-Aug-19	31-Dec-18
US	1.50	2.68
Japan (JGB)	-0.28	0.00
Germany (Bund)	-0.70	0.24

Global Markets	31-Aug-19	31-Dec-18
Dow Jones	26,403	23,327
Dax	11,939	10,558
CAC	5,480	4,730
Nikkei 225	20,704	20,014
Shanghai	2,886	2,493
Sensex	37,332	36,068
Nifty 50	11,023	10,862

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