

Current Update

October 2019



Market Commentary

The strength in Sterling was the primary cause for the relative fall in sterling based portfolio values during October. A decline in inflation expectations and benchmark government interest rates affected Anchor assets. While Enhancers added value in local terms these were insufficient to offset the currency effect. Diversifiers provided some protection.

October saw local gains for Enhancers amid signs of progress on a US-China trade deal while central banks remained supportive. US equities rallied throughout the month, lifted by cyclical stocks (i.e. those that are most sensitive to the economic cycle). Bond yields pushed higher and US-China trade negotiations improved with the two sides agreeing the outline of a mini trade deal. The Federal Reserve (Fed) cut rates for the third time in 2019 but signalled an intention to take a pause in the easing cycle. Eurozone equities posted gains as some economically sensitive sectors performed well. On the economic front, growth figures for Q3 defied recession worries. GDP growth for the eurozone was 0.2% quarter-on-quarter with France showing a 0.3% growth rate and Spain 0.4%. However, inflation dipped lower to 0.7%. The flash composite purchasing managers' index (PMI) ticked up marginally to 50.2 in October from 50.1 in September but the manufacturing sector PMI still points to contraction. UK equities struggled to make progress as a strong recovery in sterling weighed on the internationally exposed large cap companies. Several big stocks also performed poorly on the back of some mixed Q3 results. As a result, the FTSE 100 fell 1.9% over the period, although small and mid-cap UK equities supported the wider market, helping the FTSE All-Share to record a marginally less disappointing loss of 1.4% over October. Sterling bounced back as the prospect of a "no deal" Brexit outcome on 31 October receded. The Japanese market recorded a gain of 5.0%. The yen fluctuated against major currencies, reflecting changing views on the likely action of central banks, but ended the month virtually unchanged against the US dollar. Emerging market equities recorded a strong return, benefiting from a pick-up in risk appetite. Positive sentiment towards US-China trade talks, further global central bank easing and US dollar weakness all proved supportive.

For Anchors government bonds declined over the month, as yields rose, reflecting a better mood in markets and increased appetite for riskier assets. US Treasuries performed relatively well as yields pulled back late in the month. The Fed implemented a third interest rate cut for the year, but disappointed investors by indicating that it would be the last for the foreseeable future. The UK 10-year yield was 0.14% higher on the more constructive outlook around Brexit.

For Diversifiers returns remain generally strong as investors sought uncorrelated investments. Commodities and property were positive although the strength of sterling reversed gains in gold and other precious metals.

10 Key Events to Watch:

UK		Previous	Forecast
Monday, Nov 11, 2019	GDP (YoY) (Q3)	1.3%	1.4%
Monday, Nov 11, 2019	Manufacturing Production (MoM) (Sep)	-0.7%	-
Tuesday, Nov 12, 2019	Unemployment Rate (Sep)	3.9%	3.8%
Wednesday, Nov 13, 2019	CPI (YoY) (Oct)	1.7%	1.8%
Thursday, Nov 14, 2019	Retail Sales (YoY) (Oct)	3.1%	3.2%
GLOBAL			
Thursday, Nov 14, 2019	JPY GDP (QoQ) (Q3)	0.3%	0.2%
Friday Nov 15, 2019	EUR CPI (YoY) (Oct)	0.7%	0.7%
Wednesday Nov 20, 2019	CNY PBoC Interest Rate	4.20%	-
Friday, Nov 22, 2019	German GDP (QoQ) (Q3)	-	-
Wednesday, Nov 27, 2019	USA GDP (QoQ) (Q3)	1.9%	2.0%

Key Recent Announcements

US ISM MANUFACTURING PMI (Sep):

Survey results shows down trend to 47.8 in Sep 2019 from 49.1 as compared to previous month, against market expectations of 50.4.

UK MANUFACTURING PMI (Sep):

Manufacturing PMI stood at 48.3 as compared to 47.4 from the previous month.

UK INFLATION RATE YoY (SEP):-

The rate of inflation across the UK stood at 1.70 percent in Sep 2019, compared to 1.70 percent the previous market expectations of 1.98percent.

UK BOE INTEREST DECISION:-

The Interest rate remains unchanged at 0.75%.

UK	31-Oct-19	31-Dec-18
FTSE 100	7248	6,728
FTSE 100 % Change	7.73%	
BoE Interest Rate	0.75%	0.75%
CPI	1.70%	2.30%
Govt, 10YR Yield	0.63%	1.15%
FTSE 350	4049	3,772

Currency	31-Oct-19	31-Dec-18
GBP/USD	1.29	1.28
GBP/EURO	1.16	0.90

Commodity (\$)	31-Oct-19	31-Dec-18
Gold	1514	1,283.0
Silver	18.67	15.44
Brent Crude Oil	60.23	54.16

Govt 10YR Bond	31-Oct-19	31-Dec-18
US	1.69	2.68
Japan (JGB)	-0.14	0.00
Germany (Bund)	-0.40	0.24

Global Markets	31-Oct-19	31-Dec-18
Dow Jones	27,046	23,327
Dax	12,866	10,558
CAC	5,729	4,730
Nikkei 225	22,927	20,014
Shanghai	2,970	2,493
Sensex	40,129	36,068
Nifty 50	11,877	10,862

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