Wealth Management
Weekly Market Update

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Market Update

Global equity markets rallied last week, with Sterling returns positive in all major regions aside from Japan which was down -0.6%, although equities there did gain +1.9% in local terms. UK equities lead the way, gaining 1.8%, with European equities also up +1.4%, both buoyed by Parliament's vote against a no-deal Brexit. US markets gained +0.8% while Emerging Market equities were up +0.5%. US markets gained an impressive +2.9% in local terms with investors expecting positive developments on the US-China trade front. The vote against a no-deal Brexit also saw Sterling rally, gaining +2.1% vs the US Dollar and +1.3% vs the Euro. It was a mixed week in bond markets, with UK 10Y Gilt yields rising 2.2bps on the vote, but US 10Y Treasury yields falling -4.1bps as markets are now pricing in a 32% chance of a rate cut this week. The return on Gilts for the week was -0.1%. In US Dollar terms Gold gained +0.3% and Oil rallied +4.4%.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Gilts	GBP/USD	Probability of a Fed Rate Cut in 2019
▲ +1.8%	▲ +0.8%	▲ +1.4%	▲ +0.8%	▲ +0.5 %	▼ -0.1%	▲ +2.1%	32.3% (prev. 12.9%)

all returns in GBP

Macro News

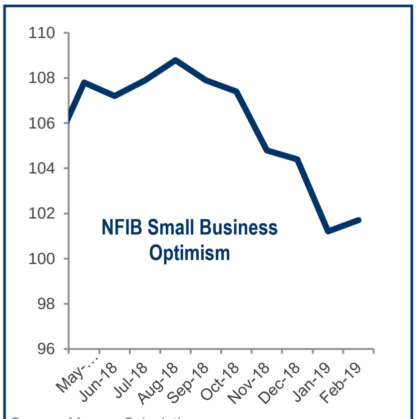
- German exports continued to slow in January, consistent with the theme of slowing global trade with MoM growth flat at 0%, down from +1.5% previously. Imports however were up from 0.7% to 1.5% over the period.
- The NFIB Small Business Optimism came in at 101.7, up marginally from 101.2 in January. The "Capital Expenditure" measure was up from 26 to 27, and the "Good Time to Expand" sentiment measure also posted a positive recording, up from 20 to 22, showing a rebound in optimism and expansion plans in US small businesses which drive over 40% of non-farm private GDP.
- New Home Sales in the US MoM fell from 3.8% to -6.9%.

The Week Ahead

- The FOMC is set to meet on Wednesday. With the current interest rate in the range of 2.25-2.50%, the main question for this meeting is just how far Fed officials will take the new theme of patience in their next set of projections.

Week in Charts

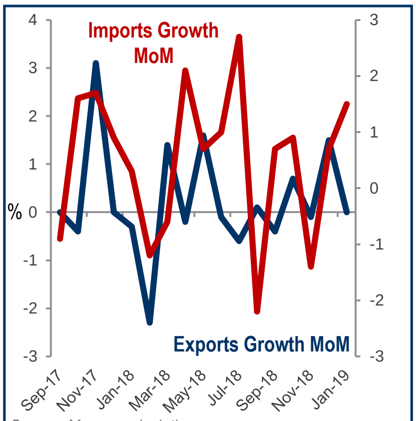
Fig.1: NFIB Small Business Optimism



Source: Mazars Calculations

US Small Business Optimism saw a rebound in February after a steep decline in Q4 2018.

Fig.2: German trade conditions



Source: Mazars calculations

German export growth was flat in January, while import growth rebounded to +1.5% MoM.

View From the Desk

We have yet another important week for Brexit ahead of us, with just a few days to go before Britain's 29 March deadline. Last week's Parliamentary rejection of a 'No-Deal' scenario means that an extension is now very much on the cards. From here there are really two ways to go. Either Theresa May whips a majority to endorse her solution and a short extension is sought, or she throws in the towel and a general election/second referendum is called. The first scenario still looks doubtful - too many Tory rebels and the DUP may not agree. The second, and more probable one, puts the negotiation back to square one and could deal a death blow to Brexit, at least as far as markets are concerned. A crash-Brexit is still on the cards, but only if the EU wishes it so. With a long extension and movement towards a soft or even no Brexit looking more likely, an outcome positive for UK risk assets, the prevailing question for us is not the future of the relationship between the UK and the EU. Instead what is of greater concern is whether a development like this will cause irreparable social rifts. Will Brexit fatigue prevail or will the 'lost opportunity' become a signal to millions that their desires are irrelevant and exacerbate identity politics and populism, eventually hurting the British social contract and economic infrastructure?

David Baker, CIO