# Wealth Management
# Weekly Market Update

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## Market Update

Strong Sterling performance saw large-cap UK equities retreat last week, down -0.8%. Markets are growing more confident that either Theresa May's deal will pass Parliament or that the date for leaving the EU will be delayed in order to avoid a 'Hard Brexit', which has fed the Pound's strength in recent weeks and last week's +1.1% gain vs the US Dollar. Meanwhile overseas equities were largely positive in local terms, but negative or flat when converted into GBP terms. Europe was the best performing region, marginally up +0.2%. US equities were down only -0.6%, however Emerging Market and Japanese equities lost -1.7% and -1.9% respectively. Global yields moved higher last week, with the UK 10Y Gilt yield up 13.8 bps to 1.296% and the US 10Y Treasury yield up 10.1 bps to 2.753%. Over the week Gilt investors lost -1.3% while global bonds fell -1.8% in Sterling terms. In the commodities space Oil was down -2.3% and Gold was down -2.6%.

| UK Stocks | US Stocks | EU Stocks | Global Stocks | EM Stocks | Gilts | GBP/USD | Probability of a Fed Rate Hike in 2019 |
|---|---|---|---|---|---|---|---|
| ▼ -0.8% | ▼ -0.6% | ▲ +0.2% | ▼ -0.9% | ▼ -1.7 % | ▼ -1.3% | ▲ +1.1% | 7.8% (prev. <3.6%) |

*all returns in GBP*

## Macro News

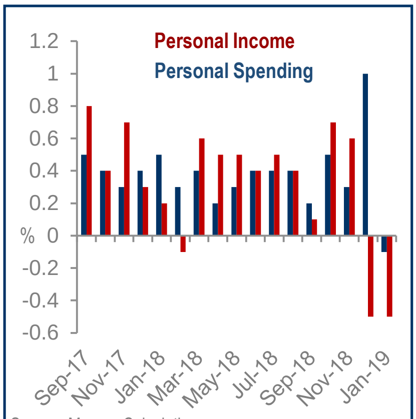
- GDP figures were down across the board in the last quarter of 2018, with French GDP down from 1.3% to 0.9% and Indian GDP down from 7.1% to 6.6%. US GDP was 2.6%, which was ahead of expectations for 2.2%, but down from 3.4% in Q3.
- The Japan Manufacturing PMI entered contractionary territory in February, recording a value of 48.8, down from 50.3, with significant deterioration in demand signalled. The last time the PMI was below 50 was in August 2018.
- UK consumer confidence was down in February, falling from -7 to -9, in spite of strong wage growth and high employment. Expectations for general economic conditions have improved slightly for the next 12 months.

## The Week Ahead

- Nonfarm payrolls in the US will be released for February on Friday, and will provide an insight into the current state of the already tight US labour market. Expectations for the number are currently around 193,000.

## Week in Charts

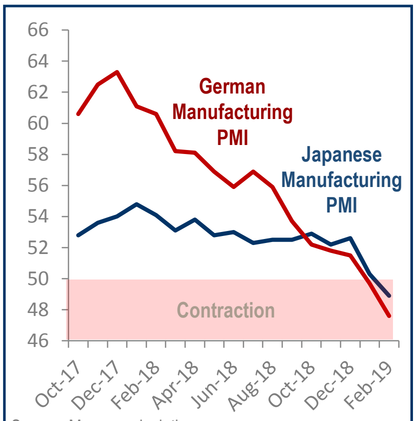
### Fig.1: US consumers feeling a pinch




Source: Mazars Calculations

Personal income and spending growth in the US went down in December and January, a move partially attributed to the government shutdown.

### Fig.2: Manufacturing exporters down




Source: Mazars calculations

Japanese and German manufacturing PMIs suggest contraction, as a global trade slowdown is particularly hurting exporters.

## View From the Desk

March is the month of Brexit for British investors. Will the saga which began in 2015 end four years later, or will the game go into overtime? The sports metaphor is very apt. Football fans will know that during the last minutes where extra time is an option, both teams usually play conservatively, having already mentally accepted extra time, or even a penalty shootout. Conversely, when extra time is not an option, the team with most to lose from a draw plays furiously in the last minutes. We believe that markets have priced in few chances of any resolution this month, and the stance from both Brussels and Whitehall corroborates that conclusion. Given that no clear parliamentary majority exists to push for a Hard Brexit, overtime makes sense. We would caution against investor complacency however. When Greece almost crashed out of the Euro in 2015, Germany did not extend the time horizon, in a matter which was significantly more important to its own, and the common currency's, well-being. Instead Germany used the urgency to get significant concessions from the Greek government, with Greece even agreeing to mortgage the Acropolis. Mr. Schauble's statements over the weekend suggest that this will not be the playbook this time, especially given Germany's current economic weakness. But if the rhetoric out of the UK sharpens, one cannot rule out a harder stance from the EU. The final outcome, or the way we get there, is still very difficult to predict. There's little investors can do but remain well diversified in international assets and remember that FTSE 100 stocks are not a proxy for the UK economy.

***David Baker, CIO***