Wealth Management
Weekly Market Update

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Market Update

Global equity markets rallied last week, continuing the pattern of rising after a poor week. US equities lead the way, up +2.9% in Sterling terms, with European equities also performing well, up +2.1%. Emerging Market equities gained +1.5%, UK equities +1.1% and Japanese equities +0.4%. Sterling fell due to the ongoing uncertainty surrounding Brexit, down -1.3% vs the US Dollar and -0.6% vs the Euro. Global yields fell slightly, UK 10Y Gilt yields down -1.4bps and US 10Y Treasury yields down -3.4bps. Treasury yields are at their lowest since early 2018. German 10Y Bund yields fell further into negative territory, down -5.5bps. In US Dollar terms Gold fell -1.6% and Oil gained +2.0% as the OPEC+ group appear to be keeping discipline on their oil output.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Gilts	GBP/USD	Probability of a Fed Rate Cut in 2019
▲ +1.1%	▲ +2.9%	▲ +2.1%	▲ +2.4%	▲ +1.5%	▼ -0.6%	▼ -1.3%	64% (prev. 58%)

all returns in GBP

Macro News

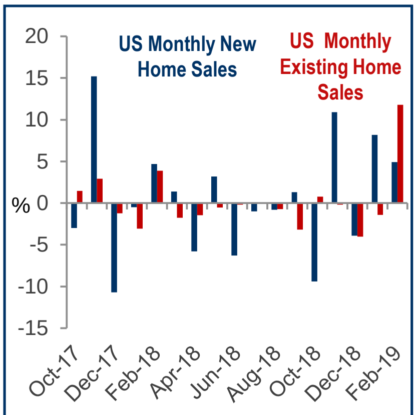
- UK Rightmove House prices saw negative growth in March for the first time since 2011, mainly due to Brexit uncertainty which has postponed investment spending and large consumer purchases across the board.
- US Existing Home Sales posted a strong gain, up 11.8% MoM after a succession of poor readings in Q4 2018 and early 2019.
- The NY Fed Probability of Recession in the US (in the next 12mnths) monitor has continued to climb, and has reached cycle highs of 24.6% in light of recent economic data.

The Week Ahead

- US Non-farm payrolls will be released this Friday, and the number posted will have significant implications for the US labour market. Last month's new job additions were poor and sustained weakness will support the Fed's dovish stance.

Week in Charts

Fig.1: Better US Housing Data



Source: NAR

Both new home sales and existing home sales were positive, existing home sales markedly so, in a rare piece of good news regarding the US economy.

Fig.2: Bullish Pound

Source: Reuters

As hopes for a Brexit deferment rise, so does the Pound. Despite falling last week it is currently trading near its highest levels in over a year.

View From the Desk

Beware the noise! It used to be that financial analysts would have to dig deep and uncover information not yet available to their competitors to gain an edge on the market. Nowadays their job description has changed; to sift through millions of pieces of information and separate the signal from the noise. The edge is in the filtering and the analysis. This is not always easy in an age when speed and clicks outweigh accuracy and insight. Two weeks ago, with flash German manufacturing PMI plunging deeper into contraction territory, the forward part of the US yield curve inverting, and US indices dipping, many cried "recession". Last week, when the S&P 500 found itself near its all time highs again, prompting claims that "recession fears abated". The truth is that stock markets are often a leading indicator and the economic narrative is cherry picked to fit. So it pays for investors to stay calm and wait for the market to regain direction before joining "bulls" or "bears".

One exception where markets follow rather than lead - and find themselves increasingly dumbfounded - is politics. In the UK it's another Brexit dominated week. Although we are past the stroke of midnight with no resolution, markets patiently await the result. Our model had indicated that the probability of a general election was elevated two months ago, suggesting a mere 15% probability that Ms May would pass her deal from the parliamentary floor. These forecasts still stand, but unless investors possess real insight as to the workings of the Conservative party, they should make sure they are sufficiently diversified and take no Brexit investment risks they can afford to avoid.

David Baker, CIO