Wealth Management Weekly Market Update

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Market Update

Global equity markets saw a second consecutive week of positive performance, with US equities moving within 2% of their highs. Markets have ben in a positive mood since the Fed became more dovish early in the year, with positive signs on trade talks between the US and China a further catalyst for gains last week. UK and Emerging Market equities were the standout performers last week, both up +2.4%, while European equities were also up +2.3%. US and Japanese equities were up +1.9% and +1.1% respectively. Financials continues to be the worst performing sector despite a slight pick up in global yields. UK 10Y Gilt yields rose +11.6bps and US 10Y Treasury yields were up +9.0bps. Sterling was flat vs the US Dollar and the Euro, and up +0.8% vs the Yen. In US Dollar terms Gold was flat, while Oil continued its recovery, up +4.9%.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Gilts	GBP/USD	Probability of a Fed Rate Cut in 2019
▲ +2.4%	▲ +1.9%	▲ +2.3%	▲ +1.9%	▲ +2.4%	▼ -1.1%	▲ +0.0%	56% (prev. 64%)

all returns in GBP

Macro News

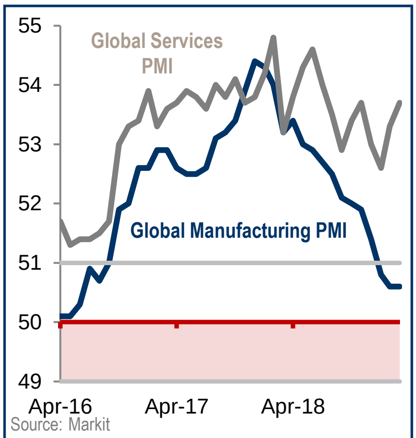
- US nonfarm payrolls increased 196K and the unemployment rate was unchanged at 3.8%. The participation rate was little changed at 63.0%. Over the last 12 months average hourly earnings have increased by 3.2%.
- German manufacturing fell -4.2% MoM in February, missing estimates for a gain of +0.5% by a large margin. Order volumes are down -8.4% YoY, with a drop in foreign demand blamed for the slowdown.
- President Trump announced that an 'epic' trade deal with China may be close on Thursday, having found agreement on some of the toughest points, and that a deal could come in the next four weeks.

The Week Ahead

- The FOMC will meet on Wednesday to decide US monetary policy. No changes are expected at this meeting although a rate cut before the end of the year has a 56% probability according to futures markets.

Week in Charts

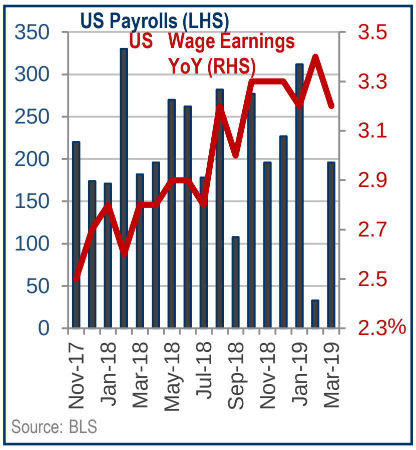
Fig.1: World Economy Challenged



Source: Markit

Markit PMI numbers suggest that global manufacturing remains challenged, while the services sector has shown signs of improvement.

Fig.2: US Payrolls



Source: BLS

The US added almost 200K new jobs in March, slightly exceeding expectations and sending equity indices higher at the end of last week.

View From the Desk

For watchers of "The Good Place" this week's comment will not be a surprise: The world has become so complex that no decision is simple in terms of repercussions. In last week's IMF economic outlook it was suggested that it was not Mr. Trump's tariff threats, but rather his decision to boost the US economy at a time when it was already strong that may have upset the global trade cycle last year, sending global exporters to a standstill. The notion is interesting. Owning the global reserve currency and being the unofficial leader of NATO, the US is often required to think globally. It is expected to share growth with the rest of the world and consider global economic conditions before it raises interest rates or cuts taxes. When Barack Obama intervened in Syria, Europe was faced with millions migrants to the extent that Italy elected a government that vowed to sink migrant boats. What does this all mean for investors? For one, the US cannot be expected not to mind its own interests for the sake of international balances. Thus, the more complex the world becomes, the more political and economic volatility we should expect. When considering elections, investors should be forewarned that people vote with much simpler, and usually identity related criteria, rather than economists think is rational. Secondly investors have so far been wondering what the impact of Brexit will be in Britain, blithely assuming that it is a local matter, likely reflecting an inability to process third and fourth order repercussions. Has it been priced in that a 10% cut in the European budget will have serious implications in the continent's emerging nations, many of which rely on EU money to carry out infrastructure projects? Has Europe's loss of status as the world's largest collective economy been priced in? What will the disruption do to its relationship with America? Will economic volatility put more strain on the Euro, thus risking setting off the largest global economic grenade of our time, the dissolution of the common currency?

David Baker, CIO