

Published 15 April 2019

Market Update



Global equity markets were mixed last week following a period of strong returns. In Sterling terms global equities were down -0.1%, although in local terms were up +0.5%. In Sterling terms European equities were the only positive region, up +0.2%. US and UK equities were both flat, Emerging Market equities down -0.2%, while Japanese equities were particularly weak, down -2.1%. Healthcare was the weakest sector due to threats of caps on prescription prices, while financials was the strongest performing sector as global yields rallied and yield curves steepened. UK 10Y Gilt yields were up +9.6bps to 1.212%, while US 10Y Treasury yields gained +7.0bps to 2.565%. The Pound was mixed against other currencies, gaining +0.3% and +0.6% vs the US Dollar and the Japanese Yen respectively, however down -0.5% vs the Euro. In US Dollar terms Gold fell -0.1% while Oil gained +1.3%.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Gilts	GBP/USD	Probability of a Fed Rate Cut in 2019
▶ ±0.0%	▶ ±0.0%	▲ +0.2%	▼ -0.1%	▼ -0.2%	▼ -0.9%	▲ +0.3%	42% (prev. 56%)

all returns in GBP

Macro News



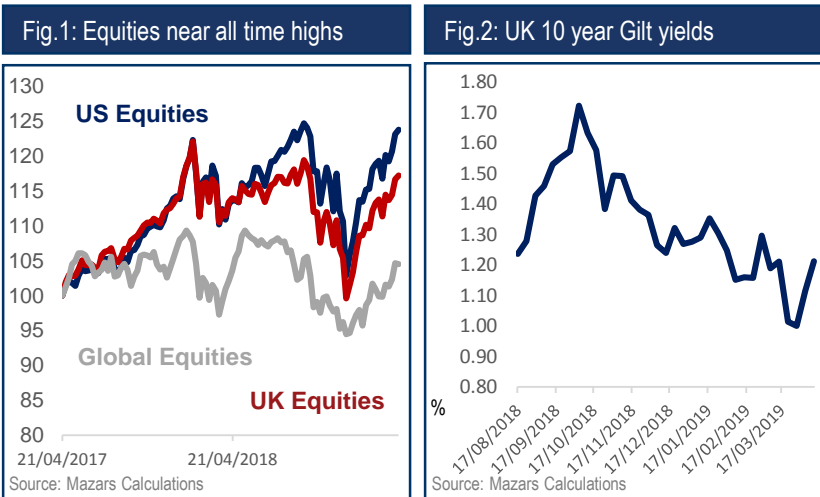
- Last week we entered the Q1 2019 earnings period, and unlike the previous quarters earnings are expected to decline, mainly due to falling margins and lower sales in a lower growth environment. Rising labour and raw materials costs have been cited as headwinds to margins, with only a few select firms able to pass this on to consumers through price increases of their own.
- Theresa May has secured a Brexit deadline extension until October; Sterling was then mixed after poll data came out last Thursday, with the prospect of a potential Labour government and re-nationalisation erasing some previous gains.

The Week Ahead



- This Tuesday the UK Labour Market Data for the 3 Months to February will be released. Previously the unemployment rate was 3.9%, likely below the long term natural rate, but we have not seen a pick up in inflation consistent with classic Phillips curve analysis so far.

Week in Charts



Indices globally are near all time highs again, with a dovish Fed and easing trade tensions lifting markets.

UK 10Y Gilt yields have been rising in April, after lacking direction in March. Downward pressure in March occurred due to Brexit uncertainty and the reduction in index-linked Gilt issuance by the Debt Management Office.

View From the Desk



As equity markets are again near all time highs the question is: where to now? On the upside, there's a dearth of fiscal catalysts, whereas monetary policy has become as accommodative as possible. It is possible that a good US earnings season or a trade deal between the US and China may provide the necessary momentum to break new highs, but neither factor can fuel a sustained rally. And yet, with dovish central banks, downside risks are contained as well. In this environment of uncertainty, where Brexit also adds a layer of risk, we believe that our portfolios are best served by a "neutral" position until either upside or downside catalysts make themselves known. Meanwhile, we continue to monitor the US President's sustained attacks on the Fed's independence, in what could grow to become a key risk going forward.

David Baker, CIO

Important information

All sources: Bloomberg. The information contained in this document is believed to be correct but cannot be guaranteed. Opinions constitute our judgment as at the date shown and are subject to change without notice. This document is not intended as an offer or solicitation to buy or sell securities, nor does it constitute a personal recommendation. Where links to third party websites are provided Mazars Financial Planning Ltd accepts no responsibility for the content of such websites nor the services, products or items offered through such websites. Mazars Financial Planning Ltd is a wholly owned subsidiary of Mazars LLP, the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars Financial Planning Ltd is registered in England and Wales No 3172233 with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD. Mazars Financial Planning Ltd is authorised and regulated by the Financial Conduct Authority.