Wealth Management
Weekly Market Update

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Market Update

Last week saw diverging performance in global markets as US equities delivered +1.6% in Sterling terms, however Emerging Market, UK and European equities returned -0.8%, -0.3% and +0.1% respectively. Robust earnings from tech giants and a stronger than expected Q1 annualised growth figure of 3.2% meant that US equities were able to weather fears that China is reducing stimulus, news which particularly affected miners – a relatively large proportion of UK equities. While equity markets continued to suggest conditions are broadly positive, bond markets presented a bearish picture, with yields falling across developed markets. UK 10Y Gilt yields fell -5.5bps to 1.142%, while German 10Y Bund yields are again negative at -0.022%. It was a mixed week for Sterling, gaining +0.3% vs the Euro but falling -0.6% vs the US Dollar. In US Dollar terms Gold gained +0.9% but Oil was down -1.1%.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Gilts	GBP/USD	Probability of a Fed Rate Cut in 2019
▼ -0.3%	▲ +1.6%	▲ +0.1%	▲ +1.2%	▼ -0.8%	▲ +0.5%	▼ -0.6%	65% (prev. 42%)

all returns in GBP

Macro News

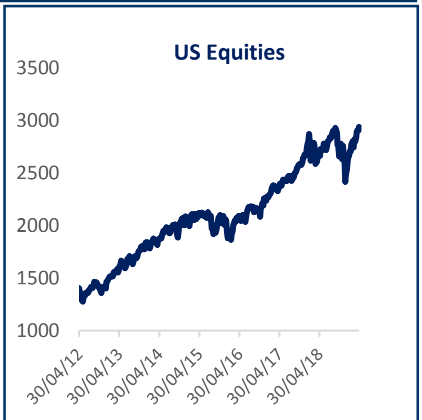
- The US economy grew at an annualized rate of 3.2% in the first quarter of 2019, beating market expectations for 2%, and up from 2.2% in Q4 2018.
- There was mixed news for oil last week as it climbed to new a five-month high and above $75 per barrel. The increase followed a report that the US will stop giving sanctions waivers to countries that import Iranian crude. But fears of a supply shock appear exaggerated and prices slipped -1.3% to $73 per barrel towards the end of the week.
- The Central Bank of the Republic of Turkey signalled a growing reluctance to raise interest rates and held its key interest rate steady at 24%. A further drop in Turkey's foreign currency reserve was also disclosed.

The Week Ahead

- On Thursday, the Bank of England Monetary Policy Committee will meet to decide on interest rate policy. No changes are expected to interest rates, however the Bank will publish its updated outlook for the UK economy, with economists expecting predictions for stronger growth and inflation.

Week in Charts

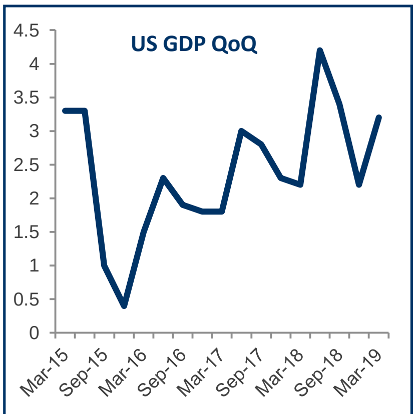
Fig.1: US equities hits all time highs



Source: Mazars Calculations

Despite recession fears, US equities once again reached all-time highs last week on the back of decent earnings from tech giants.

Fig.2: US GDP growth beats forecasts



Source: Mazars Calculations

US GDP growth for Q1 2019 outperformed analyst forecasts, with a strong annualised figure of 3.2% posted.

View From the Desk

Markets were caught off guard with regards to US Q1 GDP, which at 3.2% annualised markedly surprised to the upside. If the US can sustain high levels of growth it would go some way to calming fears about a slowdown in global growth, as despite President Trump's "America First" agenda, a roaring US economy is likely to drag the rest of the world higher. There are a myriad of concerns that this won't be the case, however. One is that Q1 growth has been driven by a build-up in inventories, which reduces the need for production in future periods. Another is that sustained high growth could prompt the Fed to worry about a return of inflation, flip back into a hawkish mode, and start increasing interest rates. The US stance of zero tolerance regarding sanctions on Iranian oil could further complicate the picture for investors, as it has the potential to add inflationary pressures while also slowing growth in most economies – a toxic mix. As such we remain cautious despite the stellar US figures. ***David Baker, CIO***