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Market Update



Despite a mixed week for equities, the S&P 500 set new records on Friday, closing above 3,000 for the first time at 3,013.77. US equities gained +0.4% in Sterling terms, with all other major regions down. Emerging Market equities fell the most, down -1.2%, European equities lost -1.0%, Japanese Equities -0.9% and UK equities -0.6%. It was also a mixed week for the Pound, up +0.4% vs the US Dollar, however marginally down vs the Euro. There was a notable rise in global bond yields last week, UK 10Y Gilt yields up +9.7bps and US 10Y Treasury yields up +8.8bps. Overall Gilts were down -0.7% and Corporate Bonds -0.4%. Gold and Oil continued to perform well, up +1.2% and +5.0% respectively in USD terms.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Gilts	GBP/USD	Probability of a Fed Rate Cut in 2019
▼ -0.6%	▲ +0.4%	▼ -1.0%	▼ -0.1%	▼ -1.2%	▼ -0.7%	▲ +0.4%	100% (prev. 100%) all returns in GBP

Macro News



- China's GDP growth rate was +6.2% in Q2 2019, the lowest level in 27 years.
- Producer Prices were flat in China in June, seeing the return of deflationary pressures as global demand fades.
- UK GDP growth MoM was +0.3% in May, rebounding from the -0.4% contraction observed previously.
- Japanese Industrial Production YoY fell to -2.1% in May, missing expectations of a -1.8% decline.
- US CPI inflation was 1.6% YoY in June, below the 2% target set by the Fed, enabling continued Dovish policy.

The Week Ahead

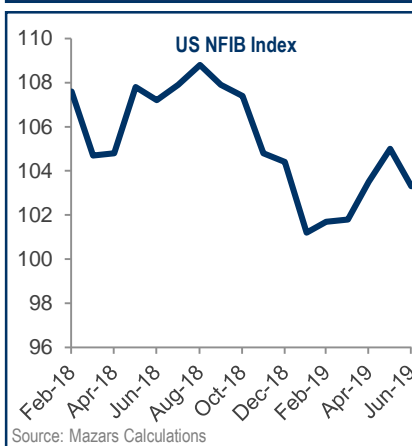


- This Friday preliminary readings for the Michigan Consumer Sentiment Index will be released; analysts expect a small decline from 98.2 to 98.0 as tariffs continue to weigh on the economy.

Week in Charts

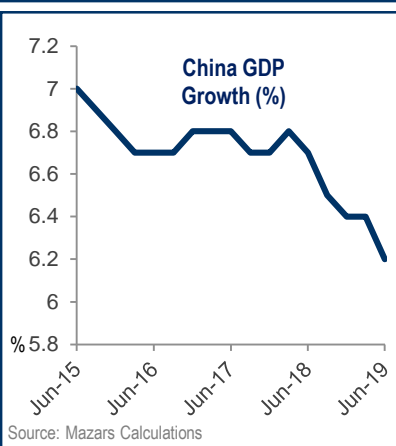


Fig.1: US Small Business Optimism



The NFIB small business optimism index fell from 105 to 103.1 in June.

Fig.2: China GDP YoY Growth



Amid the US and China trade war, the Chinese economy continues to slow. However falls are largely in line with expectations.

View From the Desk



Although China's GDP of 6.2% suggests that growth is slowing in the world's second largest economy, Asian markets were fairly sanguine about the announcement, which was largely in line with expectations. The figure was the lowest in the 27 years that China has been releasing the information, which may sound concerning. However it needs to be understood that this growth rate is based on a much larger economy than in past years, so that the actual nominal level of growth in output continues to rise. Although news out of China is not too concerning, there are data points that are more so. Industrial production in Germany fell -3.7% in May, while in the US the NFIB Small Business Optimism Index dropped to 103.1 from 105 last month. Central banks appear to be becoming more dovish, with the Federal Reserve almost certain to cut interest rates at the next meeting this month, while minutes from the ECB's Governing Council meeting included a raft of measures that can be taken if the European economy goes through a 'soft patch'. All told there are signs that global growth is slowing, and that we may be returning to a 'lower for longer' reality, where global growth and interest rates remain subdued by historical standards.

Investment Team

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