Wealth Management
Weekly Market Update

[Blog](#) - [Web](#) - [LinkedIn](#) - [Twitter](#)
[Publications/Factsheets](#)
[Contact Us](#)

Published 13 January 2020

Market Update

Global stocks were up +0.8% last week, recovering part of the losses observed after the US-Iran conflict sent investors fleeing from risk assets; tensions have however faded slightly, and it appears that a solution may be reached that does not involve further military intervention. The best performing region for equities over the period was US, up +1.2% with IT and Telecoms stocks the strongest performing sectors; Apple shares hit a new high of over $300 on strong AirPod and Apple Watch growth figures. Energy stocks sold off across the globe after the oil price fell -6.4%, with the commodity giving up the gains it made last week amidst the Middle East tensions. In typical risk-on fashion, both UK and US 10Y yields were up for the week, closing the period at 0.769% and 1.820% respectively. Sterling was relatively flat as no significant Brexit or Monetary Policy announcements meant the currency lacked direction; the Pound was down -0.1% versus the US dollar, but up +0.2% versus the Euro. In US Dollar terms gold was up +0.9%, closing at $1,551.3 per troy ounce last week; the metal continues to trade near its multi–year high in US Dollars, and has hit record highs in both Euros and Sterling.

UK Stocks	US Stocks	EU Stocks	Global Stocks	EM Stocks	Gilts	GBP/USD	Probability of Fed rate cut in 2020
▼ -0.5%	▲ +1.2%	▶ 0.0%	▲ +0.8%	▲ +1.1%	▼ -0.5%	▼ -0.1%	58.8%

all returns in GBP

Macro News

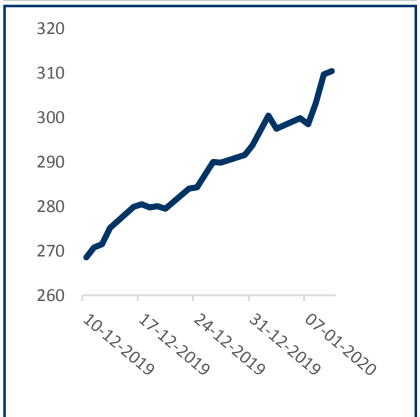
- US Non-farm Payrolls showed the US economy added 145,000 jobs in December. The headline increase was below market expectations of 164k and November's increase of 256k. Biggest job gains occurred in retail, and health care, whereas mining lost jobs. The decline can be partially attributed to a later-than-normal Thanksgiving Day in 2019, which shifted hiring of seasonal workers, and to November having been positively biased upward from the return of workers from a GM strike.
- The Eurozone CPI rose +1.3% in December from a year earlier, a six-month high, due to strong consumer spending in the run-up to Christmas. Inflation is well within the European Central Bank's inflation objective of "below, but close to, 2%," the increase eases pressure on the central bank to cut interest rates further.

The Week Ahead

- This Thursday, US core retail sales will be released. Retail sales for the previous month were +0.2% and consensus estimates retail sales increased to +0.3% in December, reflecting the solid monthly sales results of general merchandisers as well as a boost from the late Thanksgiving holiday.

Week in Charts

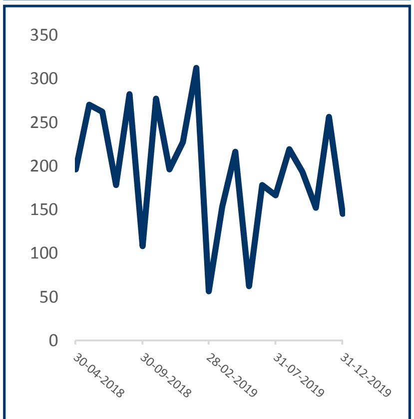
Fig 1: Apple shares hit new highs



Source: Mazars Calculations

Apple shares continued to trend higher in 2020 after a stellar run in 2019. Apple traded on a low earnings multiple than mega-cap technology companies as investors doubted their ability to innovate beyond the iPhone, however, the Apple Watch and AirPods have been popular so far.

Fig 2: Non-farm payrolls figures



Source: Mazars Calculations

US Non-farm Payrolls showed the US economy added 145,000 jobs in December. The headline increase was below market expectations of 164k, indicating the labour market may be softening.

View From the Desk

Any investor hoping to ease themselves into the New Year will have been disappointed. The traditional exercise of analysing corporate earnings data will need to be considered alongside ongoing tensions in the Middle East, and the signing of the Phase 1 US China trade deal, both of which have the potential to upset market momentum. If one had predicted the US' assassination of a leading Iranian general followed by a barrage of rockets on US bases in return, it would have been reasonable to assume a great deal more market volatility than we have seen, yet for now both sides seem content to let matters lie. However, we should have learned by now that the predictability of Pres. Trump's next move to be somewhere close to zero. And so it is with the trade deal. Detail has been notably light so far leaving scope for markets to be disappointed and global trade optimism dented once more.

Equity valuations remain stretched, and though we have seen some more upbeat manufacturing data recently, the market needs to see positive CEO outlooks for the coming year to avoid these valuations being questioned further. Any corporate optimism would seem to be at odds with Friday's US employment numbers which showed a cut in the number of hours being worked and slowing growth in pay. Ultimately earnings need to be high enough to reward both capital and labour if the cycle is to continue. We will be watching this week's US retail sales number with interest to see evidence of this being the case.

David Baker, CIO