Heartwood Investment Management

08 July 2019

Market Update

Weekly Bulletin

Key takeaways

Last week saw further healthy returns across asset classes, as central banks continued to sound out accommodative rhetoric to investment markets' delight.

- In Europe, the EU has put forward its new leadership team. Former managing director of the International Monetary Fund Christine Lagarde is set to replace Mario Draghi as president of the European Central Bank, which markets welcomed as a sign of continued accommodative monetary policy for the Eurozone. Other appointments include former German politician Ursula von der Leyen as European Commission president and former Belgian prime minister Charles Michel as European Council president. All candidates are considered to be strong Europhiles in favour of greater European integration.

- Elsewhere in Europe, the Greek general election provided a new centre-right prime minister, Kyriakos Mitsotakis of the New Democracy party, as voters rejected the left-wing Syriza party.

- In the UK, manufacturing survey data showed business confidence continuing to wane, slipping into contractionary territory. Sterling weakened on the news.

- Friday's US jobs report showed that 224,000 jobs had been added in June, reassuring investors that the US employment landscape remains robust after a disappointing May. The report initially spooked markets, however, who feared stronger jobs data could lower the chance of the US Federal Reserve (Fed) enacting interest rate cuts. Underlying data within the report continues to paint a varied picture, though, since the growth in hours worked has been on a downward trend in recent months. Weakness in this area is typical ahead of economic soft patches, which the Fed will be cognisant of.

- Australia's central bank continued its 20-year-long trend of accommodative monetary policy last week by cutting interest rates again to historic lows of 1% and introducing further tax cuts. The decision signals Australia's dual concern for domestic growth and the global economic outlook, as Australia is heavily exposed to the Chinese economy.

What to look out for this week

- On Wednesday, the US Federal Reserve will publish minutes from its June meeting. Markets will be watching closely for clues on the future path of interest rates.

- Chinese inflation data will be released on Wednesday. Investors will be keen to see the impact of the ongoing trade war on its economy.

- UK inflation and GDP data and Eurozone production data are also tabled for release.

Weekly market moves

- Overall, it was another good week for stock markets, with a slight blip on Friday as a strong US jobs report unnerved investors hopeful of rate cuts (thought to dependent on a weaker economy).

- Sterling weakened against a strong dollar, following news of weaker UK business confidence and a healthy US jobs report.

- Greek bond prices rose as markets welcomed the success of the New Democracy party in elections.

Weekly market moves (as at 05 July 2019)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,173.6	1.6%	1.6%	14.9%
MSCI United Kingdom Mid Cap	1,253.2	1.8%	1.8%	15.7%
MSCI United Kingdom Small Cap	409.5	0.6%	0.6%	15.3%
MSCI World (GBP)	1,690.3	3.1%	3.1%	21.0%
S&P 500 (GBP)	2,990.4	3.5%	3.5%	22.7%
MSCI Japan (GBP)	956.9	3.5%	3.5%	11.8%
MSCI Europe ex-UK (GBP)	1,356.6	1.6%	1.6%	19.8%
MSCI Pacific ex-Japan (GBP)	1,716.5	3.2%	3.2%	22.0%
MSCI Emerging Markets (GBP)	58,417.7	2.5%	2.5%	13.6%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,297.2	1.2%	1.2%	6.3%
BoA Merrill Lynch Index-Linked Gilts	583.1	1.6%	1.6%	9.7%
BoA Merrill Lynch £ Corporate	433.9	1.2%	1.2%	8.3%
Commodities				
Oil (West Texas Intermediate, GBP)	$57.4	0.4%	0.4%	29.5%
Gold (GBP)	$1388.7	0.3%	0.3%	10.6%
S&P / GSCI (GBP)	2,480.7	1.1%	1.1%	14.6%

Past performance is not a reliable indicator of future results. The value of investments may fall as well as rise. All performance returns are in GBP, while all index levels are in local currency.

Clear Thinking