



Weekly Bulletin

Key takeaways

Investment markets continued to listen attentively to comments from the US Federal Reserve (Fed)'s members this week ahead of its July policy meeting. Meanwhile, the US corporate earnings season is underway for Q2, and in the UK, parliamentarians made bids to thwart a 'no-deal' Brexit scenario.

- Investment markets continue to expect interest rate cuts from the Fed. The scale of these rate cuts will depend on whether the Fed aims to cushion the US economy against trade uncertainties and slowing global growth (achieved by a modest cut), or to sustain inflation above 2% (potentially requiring a more aggressive cut). Despite some cautious comments from Fed members, expectations have broadly converged on a relatively modest cut (from a range of between 2.25 and 2.5% down to a range of between 2 and 2.25%).
- Market attention is now likely to turn to the latest corporate earnings reports, which are ramping up in the US. The Q2 earnings season will give an insight into the impact of tariffs, cost pressures and a strong dollar on US businesses. Given the spate of downward revisions to forecasts ahead of the official reporting season, with businesses seeking to manage investor expectations, we could yet see further positive surprises in Q2 reports.
- In the UK, consumer data continues to show surprising resilience, supported by sustained real wage growth. However, Brexit concerns remain a perpetual issue for the UK economy; last week saw sterling continue its downward trajectory against the dollar as the threat of a 'no-deal' Brexit appeared to rise, with Boris Johnson widely expected to be announced as the UK's next prime minister in the coming days.
- Should Johnson win, he will likely face resignations from MPs opposed to a 'no-deal' Brexit, including the current Chancellor, Philip Hammond. The next prime minister would also face difficulty in attempting to suspend Parliament (to force through a no-deal Brexit scenario), and must tackle escalating tensions with Iran - following the seizure of a British tanker in the Strait of Hormuz.
- In trade news, it is rumoured that Chinese businesses are attempting to buy additional US agricultural goods and seeking tariff exemptions on these, as a gesture of goodwill to the US ahead of the next round of trade negotiations.

What to look out for this week

- As the US corporate reporting season picks up speed, 145 companies will report their Q2 earnings, including Facebook, Amazon and Google.
- Wednesday will see a range of manufacturing survey data published. Investors will be watching European indicators especially closely.
- The European Central Bank (ECB) meets on Thursday, with markets keen to decipher when the bank will implement the likely next phase in its accommodative policy.

Weekly market moves

- The Fed's mixed signals about the extent to which it is likely to cut interest rates drove down bond yields (and pushed the price of bonds upwards).
- Despite tensions with Iran, the oil price has been falling in recent weeks.
- Risk assets like shares were broadly unmoved ahead of the Fed's policy meeting. However, the price of gold (typically seen as a safe haven asset) has risen.



Weekly market moves (as at 19 July 2019)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,161.3	0.1%	1.1%	14.2%
MSCI United Kingdom Mid Cap	1,249.0	0.7%	1.5%	15.3%
MSCI United Kingdom Small Cap	407.3	0.1%	0.1%	14.7%
MSCI World (GBP)	1,679.9	-0.4%	2.6%	20.5%
S&P 500 (GBP)	2,976.6	-0.8%	3.1%	22.3%
MSCI Japan (GBP)	942.2	0.0%	2.6%	10.9%
MSCI Europe ex-UK (GBP)	1,341.8	0.3%	0.8%	18.8%
MSCI Pacific ex-Japan (GBP)	1,710.2	1.3%	3.5%	22.4%
MSCI Emerging Markets (GBP)	58,119.6	1.2%	2.5%	13.6%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,300.5	1.0%	1.5%	6.6%
BoA Merrill Lynch Index-Linked Gilts	585.4	1.3%	2.0%	10.2%
BoA Merrill Lynch £ Corporate	435.2	0.7%	1.5%	8.6%
Commodities				
Oil (West Texas Intermediate, GBP)	\$55.6	-6.8%	-2.7%	25.5%
Gold (GBP)	\$1439.7	2.7%	4.0%	14.7%
S&P / GSCI (GBP)	2,451.9	-3.8%	-0.1%	13.3%

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

Important information

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