



Weekly Bulletin

Key takeaways

Risk assets like shares performed well last week after better-than-expected growth figures in the US, although data evidenced slowing growth since the last quarter. Meanwhile, Boris Johnson became UK prime minister following his victory in the Conservative party leadership contest.

- At 2.1%, US GDP in the second quarter of this year beat expectations. This figure was driven primarily by personal consumption, proving that the US consumer continues to function as the proverbial motor to the US economy at present. Government spending also contributed to growth, but it is questionable whether spending can be sustained at its current higher levels.
- US growth will certainly be a talking point in the US Federal Reserve (Fed)'s policy meeting on Wednesday, not least because all other components of the growth data had a negative impact. Net exports, manufacturing inventories and private investment were weak, showing the effects of ongoing US-China trade disputes and the impact of a strong dollar on American companies' competitive position. Markets widely expect an interest rate cut from the Fed this week.
- In Europe, the outgoing European Central Bank (ECB) President Mario Draghi stated that the European economic picture "is getting worse and worse", referencing the news that German manufacturing data had hit its lowest level in seven years. Survey data charting business optimism in the eurozone also fell to readings not seen since 2009, which raised market hopes that the new ECB president will embark on a path of accommodative monetary policy before the end of the year.
- The new UK prime minister Boris Johnson began his quest to exit the EU on 31 October, announcing that his cabinet will meet daily in its emergency meeting room, Cobra, to make provisions for a 'no-deal' Brexit. Sterling was weaker over the week, with the Brexit outlook remaining murky for the time being.
- Following his sacking of Turkey's central bank president some months ago, President Erdogan expressed satisfaction at the interest rate cut enacted by the new incumbent, Murat Uysal, but said more needed to be done.

What to look out for this week

- In the central bank calendar, the Bank of Japan meets on Tuesday, the US Fed on Wednesday, and the Bank of England on Thursday. All eyes will be on the Fed, where a rate cut is expected.
- A spate of data releases are due across the developed world, and the corporate earnings season continues in the US.
- This week's headlines will likely be dictated by US-China trade talks, which resume as the US delegation travels to China today.

Weekly market moves

- Stock and bond markets experienced positive returns, while gold ended the week a touch lower in a risk-positive environment.
- Ongoing local protests over the proposed extradition bill to China set back markets in Hong Kong.
- US shares outperformed due to moderately positive earnings reports. Google performed particularly well, while Amazon's results slightly disappointed shareholders, as speculated.



Weekly market moves (as at 26 July 2019)

	Index Levels	Last Week	Month to Date	Year to Date
Equity				
MSCI United Kingdom	2,171.9	0.5%	1.6%	14.8%
MSCI United Kingdom Mid Cap	1,265.0	1.3%	2.8%	16.8%
MSCI United Kingdom Small Cap	413.3	1.6%	1.7%	16.5%
MSCI World (GBP)	1,701.9	1.9%	4.6%	22.9%
S&P 500 (GBP)	3,025.9	2.6%	5.8%	25.5%
MSCI Japan (GBP)	947.1	0.6%	3.2%	11.5%
MSCI Europe ex-UK (GBP)	1,357.5	1.2%	2.0%	20.2%
MSCI Pacific ex-Japan (GBP)	1,708.5	-0.4%	3.1%	21.9%
MSCI Emerging Markets (GBP)	57,917.8	0.2%	2.7%	13.8%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,304.0	0.3%	1.8%	6.9%
BoA Merrill Lynch Index-Linked Gilts	585.1	-0.1%	2.0%	10.1%
BoA Merrill Lynch £ Corporate	437.7	0.6%	2.0%	9.3%
Commodities				
Oil (West Texas Intermediate, GBP)	\$56.2	2.4%	-0.8%	28.0%
Gold (GBP)	\$1420.4	-0.4%	3.6%	14.2%
S&P / GSCI (GBP)	2,457.5	1.2%	1.1%	14.7%

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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