



Market Update

## Weekly Bulletin

### Key takeaways

**Stock markets were relatively volatile last week, responding to intensifying US-China trade tensions, while bond yields continue to grind lower.**

- Trade tensions remained heightened following President Trump's announcement of further tariffs last week. Furthermore, China appeared to devalue its currency in retaliation, leading the US Treasury to label it a 'currency manipulator'.
- Markets seemed unable to shrug off the increasingly frosty relations between the US and China, with US stock markets slightly weaker. Moreover, the US yield curve (the spread between shorter- and longer-dated Treasury yields) flattened further, indicating investor uncertainty for the near term amid persistent worries that US-China trade issues may remain unresolved until 2020. This has further bolstered hopes for a second interest rate cut from the US Federal Reserve (Fed) in its September policy meeting.
- Political turmoil stepped up in Italy, as its Deputy Prime Minister Matteo Salvini called for a snap election, citing irreconcilable differences between his party, the League, and the ruling coalition party, the Five Star Movement (M5S). Salvini will look to capitalise on his strong standing in the polls, but there are already reports that an unlikely alliance between M5S and the Democratic Party could emerge. Italian parliamentary leaders are due to timetable the vote of no confidence against Prime Minister Conte (an independent) today, with the vote likely to take place towards the end of August.
- In the UK, economic data painted a picture of waning economic health, as Q2 GDP figures showed a 0.2% contraction in the economy. Sterling dipped following the news, but recovered soon after. Indeed, on closer inspection it appeared that the contraction can be explained by an unwinding of inventory build-ups in Q1 (i.e. a spate of stockpiling in preparation for the original Brexit deadline in March). Nonetheless, investors will be keen to see the UK avoid a consecutive quarter of contracting growth, which would mark a technical recession.

### What to look out for this week

- The biggest data release this week is due on Tuesday, when the US July inflation report is set for publication.
- Elsewhere, we will see Q2 growth data for Germany and the revised growth figures for the Eurozone.
- Investors will be closely watching US retail sales, manufacturing and consumer survey data - the first new figures since Trump's announcement of tariffs on all remaining Chinese imports.

### Weekly market moves

- The US 10-year Treasury yield fell again this week, marking a 1.5% fall in the bond yield since November 2018.
- News of political upheaval in Italy drove a sell-off in Italian bonds, causing bond prices to fall (and yields to rise) as uncertainty grew.
- Oil initially fell this week as threats to global growth rose, but recovered on news that Saudi Arabia could cut its production levels, limiting supply.



## Weekly market moves (as at 09 August 2019)

	Index Levels	Last Week	Month to Date	Year to Date
<b>Equity</b>				
MSCI United Kingdom	2,083.1	-1.7%	-4.0%	10.7%
MSCI United Kingdom Mid Cap	1,214.6	-1.7%	-3.6%	12.3%
MSCI United Kingdom Small Cap	394.9	-1.4%	-3.4%	11.5%
MSCI World (GBP)	1,637.7	-0.3%	-1.0%	21.5%
S&P 500 (GBP)	2,918.6	-0.1%	-0.7%	24.3%
MSCI Japan (GBP)	907.6	-0.8%	0.3%	12.7%
MSCI Europe ex-UK (GBP)	1,298.7	0.0%	-0.9%	19.0%
MSCI Pacific ex-Japan (GBP)	1,617.5	-2.8%	-4.0%	17.1%
MSCI Emerging Markets (GBP)	55,104.1	-1.9%	-4.0%	9.3%
<b>Bonds</b>				
BoA Merrill Lynch Conventional Gilts	1,333.7	1.0%	1.9%	9.3%
BoA Merrill Lynch Index-Linked Gilts	600.8	0.0%	0.8%	13.1%
BoA Merrill Lynch £ Corporate	442.0	0.4%	0.8%	10.3%
<b>Commodities</b>				
Oil (West Texas Intermediate, GBP)	\$54.5	-1.8%	-5.6%	27.2%
Gold (GBP)	\$1497.7	4.2%	6.4%	23.5%
S&P / GSCI (GBP)	2,363.4	-1.4%	-3.9%	13.1%

*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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