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Smart[im]: Weekly Market Review

16 March 2018
Smart Investment Management

The week to date as at 12 p.m. Friday (GMT).

Markets and key events

Global equity markets faced a mixed week due to further uncertainty over United States (US) trade and foreign policy. Earlier on Tuesday, Donald Trump removed Rex Tillerson the Secretary of State, and replaced him with Mike Pompeo the former Central Intelligence Agency director, who is considered to be a 'populist hawk', holding much tougher foreign policy views on Iran and North Korea that his predecessor. These developments have also coincided with reports that President Trump may be leaning towards further protectionist measures, in particular targeting China. White House advisor Peter Navarro has reported that President Trump, over the next few weeks, would likely address China's "theft and forced transfer" of American intellectual property as part of the US Government's investigations.

On the back of these global trade concerns, as of 12pm BST, the MSCI AC World has fallen 0.56% over the week, and notably the China Shanghai composite has fallen 1.13% over the period. Developed markets also struggled with the S&P 500 falling 1.41%, the Eurostoxx 600 down marginally 0.25% and the FTSE All share also lower by 1.09%.

In other economic news, US retail data unexpectedly fell in February, for the third month in a row. Overall retail sales fell 0.1%, lower than the forecast rise of 0.3%. The latest results confirm that consumer spending is easing after a strong fourth quarter in 2017.

Fixed Income and Currencies

Lingering uncertainty about the possibility of further tariffs from the US and the risk of retaliatory measures by China, lent support to US Treasuries, while the Japanese Yen, considered as another safe haven asset, also benefitted this week. 10-year Treasury yield (which move inversely to its price), fell 8 basis points to 2.815%. Meanwhile, the Dollar index, a measure of the Dollar against a weighted basket of currency peers, is back under pressure, down 0.13% for the week. As of 12pm BST, against the Yen, the dollar is down 1.11%.

Europe and UK (United Kingdom)

According to Eurostat, official Eurozone inflation was reported slightly lower than previously thought for February. Year on year inflation dipped to 1.1%, from 1.3% in January, given weaker core goods prices. This comes at a time when Mario Draghi, president of the European Central Bank (ECB) earlier in the week still insisted that monetary policy will remain persistent and prudent, stating that the bank "still needs to see further evidence that inflation dynamics are moving in the right direction". In the UK, the Chancellor of the Exchequer Philip Hammond marginally revised growth forecasts for this year to 1.5% up from the previously forecasted 1.4%. Meanwhile the Office for Budget Responsibility said that government borrowing is expected to be £45.2 billion in the 2017-18 fiscal year, £4.7 billion lower than the projections it made in November.

Australia

Over the week, the Australian S&P / ASX 200 slipped 0.23%. Financial services and Banks particularly weighed on the market with the sector falling 1.9% over the period. This was a result of the Banking Royal Commission that this week started its first round of public hearings, investigating misconduct over consumer lending in the banking and financial services industry.

Commodities

Brent Crude Oil finished the week trading at $65.23 per barrel. In a report from the International Energy Agency (IEA), global oil demand is expected to pick up more quickly this year, although supply is still growing at a fast pace, leading to a rise in inventories for the first quarter of 2018. Its forecast for oil demand this year increased to 99.3 million barrels per day (bpd), from 97.8 million bpd in 2017. Meanwhile, Oil inventories in industrialized OECD nations rose in January for the first time in seven months to 2.871 billion barrels, 53 million barrels above the five-year average.