

UK politics in turmoil, UK equities unconcerned

The Noise

- Risk assets enjoyed a slight rally this week as British lawmakers moved to block an imminent no-deal Brexit and Hong Kong's leader made her biggest concession yet to protesters amid concern about a crackdown in the financial hub. The rise in the S&P 500 brought the benchmark back to within 3% of an all-time high.
- The value of the pound dropped to below \$1.20 for the first time since 2017 and to its second lowest level in 34 years this week as Boris Johnson's government suffered two defeats in the House of Commons, deepening the domestic political turmoil.
- The Institute for Supply Management's U.S. purchasing managers index fell below 50 in August, indicating a contraction in U.S. manufacturing and joining a host of weak readings for factories across the globe. Markets continue to closely monitor China-U.S. talks. Chinese and American officials are struggling to agree on the next step after Washington rejected Beijing's request to delay tariffs that took effect over the weekend.

The Numbers



The Nuance

Equity markets have been volatile since the interest rate decision which investors had been desperately waiting for disappointed the market's expectations early in the summer. After the initial fall, investors might have expected a deeper sell off in response to the escalation of the US trade war as President Trump continued to pick a fight with anyone and everyone in his quest to make America great again, and the surprising first move of Boris Johnson to suspend the UK Parliament. However while August continued to be a volatile month, with an unusual number of large daily moves, the negative headlines failed to drag indices down further and equity prices remained resilient.

We remain in an environment where slowing economic growth and pressure on margins make it tougher for companies to deliver on earnings expectations. However, it is pleasing to see that those businesses that can deliver are being rewarded via increasing share prices, and we continue to put great emphasis on selecting stocks that can execute their business plan

regardless of the economic uncertainty. The Infrastructure and Property sectors in particular benefited from falling bond yields while their reduced sensitivity to economic growth attracted investors resulting in returns of around 2% and 4% respectively in August.

Quote of the week

"Sit up man!" various MPs

Jacob Rees-Mogg cut a rather relaxed figure in the House of Commons this week, as he lay fully reclined across the benches in the midst of one of the most heated debates in modern parliamentary history. Twitter has since been alight with memes of the MP in the same pose, from an artful depiction of him as Millais's Ophelia, to the matching of his outline to a chart tracking the pound's decline in value against the euro. While opinions of his behaviour have varied hugely depending on political persuasion, there was widespread agreement on social media that the look was starkly resonant of a particularly famous Kate Winslet scene in Titanic. The Times has now officially decreed "The Slump" as one of the power moves of 2019.

Source: thetimes.co.uk < <http://thetimes.co.uk> >