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FINANCIAL CONSULTANCY

MARKET COMMENTARY

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UK PROPERTY FUNDS SWITCH PRICING TO STEM OUTFLOWS

This week saw another property fund move to limit the impact of outflows as Janus Henderson announced it was moving its pricing to a full spread basis in March. While this sounds like a minor bit of fund administration, and to an extent it is, the timing of the move is interesting. Following the referendum, a sudden run on property funds caused a number to temporarily shut down as they struggled to meet investors demand for redemptions. With the possibility of a hard Brexit looming, it is interesting to see funds take pre-emptive action to try and avoid the same situation.

Elsewhere; it is not entirely clear if we still have a government after parliament failed to pass a vote reconfirming what it had voted for two weeks ago. While we still have all the same people claiming to be in the government, there doesn't appear to be any possibility of them actually governing. With the pro-Brexit camp now split as well, there is now only the option of delaying Article 50 that has any chance of passing parliament.

THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yrs	UK 10 Yrs	Brent Crude	Gold	Wheat	GBP USD
+1.93%	+1.47%	+0.72%	+1.81%	-0.16%	+0.02%	+0.00%	+4.22%	-0.01%	-1.69%	-0.04%

US: REVIEWING LAST QUARTERS EARNINGS

Turbulent markets, Fed rate hikes and mounting trade tensions dominated headlines last quarter, so investors would be forgiven for not being overly optimistic as Q4 results started to trickle through last month. With over 70 per cent of listed S&P 500 companies having declared earnings so far, now would be a prudent time to look back at the data and see how the stock market held up amidst strong market noise last year.

Overall, results have been positive with all sectors bar financials, basic materials and utilities outperforming expectations. Oil and Gas ended up being head and shoulders above every other sector with six of the major oil companies posting \$50bn in combined profits, buoyed by surging crude prices last year. The financial sector may have not met market expectations, but this was mainly driven by losses posted by asset managers like Invesco and Franklin Templeton. Basic materials ended up being the worst performer, however, company specific issues tend to skew the result.

EUROZONE: EU COMMISSION WIDENS COUNTRY BLACKLIST

A new transatlantic spat is brewing after the EU Commission decided to name and shame regions that pose a high risk of money-laundering. This list now extends to include four US territories and Saudi Arabia. What this means for financial companies within the EU is increased due diligence to identify suspicious money flows when dealing with customers from these regions. Unsurprisingly, this hasn't gone down well over in the US with the White House calling the entire process "flawed". France and the UK have also joined in with the criticism, mindful of the impact this list will cause in a time of heightened political risk.

While most European countries underwhelmed with their growth figures, Portugal continues to perform well under the radar. GDP grew by 1.7 per cent last quarter due to a rise in private consumption and investment. However, the country isn't immune from sluggish growth within the bloc and as a result exports have slowed.

COMMODITIES: TURKEY OPENS FOOD STALLS TO COMBAT SPIRALLING PRICES

This week, President Erdogan deployed food stalls in Ankara and Istanbul to sell vegetables at a reduced rate in a bid to control rampant inflation. Food prices have been spiralling after last month's flash floods in Antalya wiped out the region's key greenhouse hub. Year-on-year food inflation for January now stands at 31 per cent up from 25 per cent the month prior. What is really driving this push by the government is the upcoming local elections next month; rolling out food stalls nationally will go a long way in stemming unrest caused by exorbitant prices.

Elsewhere in commodities, a host of investment banks are turning bullish on copper mainly driven by demand from China. The nation now accounts for over half the world's electric car sales and production is set to rise by 53 per cent this year. An electric car requires three times as much copper as a conventional car. Analysts estimate copper will reach \$6700 per tonne this year