

Global equities decline on increased market volatility

Weekly Snapshot



Sovereign Bonds

Gold

Oil



World Equities

Corporate Bonds

Copper

Week in Review

- The CBOE Volatility Index (VIX) rose and **global equities erased last week's gains**, with technology shares in the U.S. suffering. In Europe, the automotive-heavy German market entered a bear market – down over 20% since the beginning of the year.
- Investors fretted that **part of the yield curve inverted**, signalling economic strain. To put things in perspective though, **the 3-month/10-year rate spread only breached 0.5%** for the fourth time since 1992. On the previous three occasions, the market generated a positive return the following year.
- **Economic data also remains broadly positive.** In the U.S., the **unemployment rate of 3.7% represents a 49-year low**, while the gauges for both manufacturing and services gauges increased and consumer sentiment came in higher than expected.

	1 Week Return 30.11.18 to 07.12.2018		Year to Date Return 31.12.17 to 07.12.2018	
	Local Currency %	Euro %	Local Currency %	Euro %
World	-3.7%	-4.3%	-6.6%	-1.5%
US	-4.6%	-5.1%	-1.6%	3.9%
Europe	-3.3%	-3.3%	-10.5%	-10.5%
Ireland	-5.4%	-5.4%	-22.3%	-22.3%
UK	-2.9%	-3.6%	-11.8%	-12.4%
Japan	-2.6%	-2.5%	-10.0%	-5.1%
Hong Kong	0.2%	-0.3%	-10.3%	-5.3%
Bonds	0.5%	0.5%	0.8%	0.8%

The **global equity index** declined 3.7%, erasing last week's gains. U.S. small cap stocks weighed, with the tech and financial sectors weak.

Oil prices enjoyed some respite, advancing to \$52.61 /barrel. OPEC and

its partners have agreed to cut production in an attempt to stabilize the market. **Gold** moved higher to finish the week at \$1,248 per troy ounce, while **Copper** declined to \$6,149 on the back of economic growth concerns.

The sell-off in the equity markets also pushed the yield on the **U.S. 10-year bond** lower to 2.85% and the German equivalent to 0.25%.

The **EUR/USD** rate ended the week at 1.138, with the **EUR/GBP** at 0.894.

The Week Ahead

Tuesday 11 December	Wednesday 12 December	Friday 14 December
In the UK, the labour market is expected to post a small gain to keep the unemployment rate at 4.1%. The UK parliament will also vote on whether to accept the Withdrawal Agreement and Framework for the Future Relationship that the UK government has agreed with the EU.	The sharp drop in gasoline prices in November (~8%) is expected to suppress the headline US CPI figure. Core CPI (ex-food and energy) is forecast to rise at a pace of 0.2% m-m, driven by ongoing momentum in the consumer space.	Retail sales in the U.S. (ex. autos) are poised for a 0.7% rise m-m, driven by the 7.9% gain in same-store-sales recorded over the Thanksgiving weekend. The flash PMI released in Europe will give some indication as to the extent of the recovery from Q3's GDP print of 0.2%.

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