ZURICH

# Tariff tensions and Fed talk sees equities under pressure

## Snapshot

Gold

Sovereign Bonds

World Equities

Corporate Bonds

Oil

Copper

## Week Ahead

**6 Aug** — US PMI figures for July goes to print.

**7 Aug** — Earnings season continues, with the likes of Walt Disney and Rolls Royce reporting.

**9 Aug** — Preliminary GDP figures for the UK & Japan.

Stock markets saw the return of heightened volatility last week as market sentiment swung wildly either side of the Fed cutting interest rates on Wednesday evening. The 25bps rate cut was announced as expected, with the key rate now in a range of 2-2.25%. However, the subsequent commentary was not well received as Fed Chair Powell characterised it as a 'mid-cycle adjustment', prompting concerns from the market that it may not see further cuts. Non-farm payrolls in the US rose 164,000, but the announcement did little to sway returns. The week ended on a negative note, with President Trump announcing that he would proceed with a 10% tariff on a portion of Chinese imports. The news was not well received by markets, and initial reports suggest that Chinese authorities are preparing immediate retaliatory actions. The US has also announced late on Monday evening that it is officially declaring China a 'currency manipulator'.

| | 1 Week Return 29.07.19 to 05.08.19 | | Year to Date Return 31.12.18 to 05.08.19 | |
|---|---|---|---|---|
| | **Local Currency** | **Euro** | **Local Currency** | **Euro** |
| World | -5.2% | -5.7% | 11.3% | 13.8% |
| U.S. | -5.9% | -6.4% | 13.8% | 16.4% |
| Europe | -5.0% | -5.0% | 10.8% | 10.8% |
| Ireland | -7.4% | -7.4% | 9.9% | 9.9% |
| U.K. | -6.1% | -7.1% | 6.7% | 3.9% |
| Japan | -3.8% | -1.8% | 1.8% | 8.0% |
| Hong Kong | -7.7% | -8.5% | 3.9% | 6.2% |
| Corporate Bonds | -0.3% | -0.3% | 6.2% | 6.2% |
| Sovereign Bonds | 1.4% | 1.4% | 12.6% | 12.6% |

### Equities

- Equities moved sharply lower last week on the back of trade and Fed concerns.
- Hong Kong was the worst of the major markets, with the negative performance compounded by the continued local political strife.

### Fixed Income & FX

- The U.S. 10-year yield moved lower last week, breaking below the 2% mark to finish at 1.71%, having started the year at 2.68%. The German equivalent moved lower once again, and is now at -0.52%. The Irish 10 year bond yield also turned negative at one point.
- The Euro/US Dollar exchange rate finished at 1.12, whilst Euro/GBP was at 0.92.

### Commodities

- Oil finished the week lower at $55 per barrel.
- Gold finished the week at $1,464 per troy ounce.
- Copper was lower at $5,660 per tonne.

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GR: 3399 Print Ref: ZL ISA 3399 1218

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