

# Week in review

Week ending 11 January 2019

## Key highlights

1. Climbing the wall
2. Hope springs ...
3. Out of the woods?
4. Bubbling up
5. And finally ...

## Climbing the wall

Despite the familiar line-up of threats and challenges, global markets have made a sunny start to 2019. Neither politicians nor central bankers have resolved any of the main concerns. The US government shutdown continues; the US-China trade talks remain inconclusive; and the outcome of the Brexit process could be a lot clearer. But in spite of this, markets ‘climbed the wall of worry’ this week. Most major indices were comfortably up by Thursday’s close.

It was another wall, however, that dominated US politics this week. Illegal immigration was the focus of President Trump’s Oval Office address on Tuesday. On Wednesday, Trump abruptly left a meeting with Democrat congressional leaders Nancy Pelosi and Chuck Schumer, describing the talks on Twitter as a “total waste of time”. The Democrats had refused to support the use of the Federal budget to fund the construction of Trump’s Mexican border barrier.

## Hope springs ...

The US government shutdown remains in place. But investors appeared to shrug the stalemate off. An earlier Trump tweet – “Talks with China are going very well!” – put wind in the market’s sails, even though three days of negotiations with Chinese officials ended without any resolution.



Optimism grew that the Federal Reserve might adopt a more cautious path of interest-rate increases this year than previously expected. The minutes of the December Federal Open Markets Committee meeting struck a much more market-friendly note than the press conference at the time. The switch in tone seemed to go down well with investors. By Thursday's close, the S&P 500 was up 2.6% on the week.

## Out of the woods?

The S&P's rally from its December low may have allowed the index to escape the technical correction that it entered when it fell more than 10% from September's peak. The index is still a long way from a new high, however. It remains lower than 12 months previously.

Although most stocks rose, there were some notable laggards. Google owner Alphabet registered a slight decline, even as its FANG peers rose. And American Airlines slumped after revising down its fourth-quarter revenue forecast.

## Bubbling up

Strong share-price rises in the retail sector helped the FTSE 100 to gain 1.5% by Thursday's close, despite the ongoing parliamentary wrangles over Brexit.

Its performance was boosted by a stronger oil price. Although returns from the oil majors were unspectacular, oil-services company Wood Group was up almost 10%.

The price of Brent crude was comfortably over \$60 a barrel by Thursday, helping emerging markets to put in a robust performance over the week. Japan was a star performer. By the end of the Thursday session, the Topix was up 3.5%, boosted by hopes of a resolution to the trade war. European markets outperformed the UK, but trailed Japan and the US. The FTSE World Europe ex UK index gained 1.8%.

## And finally...

After the suety and spirituous excesses of the Christmas period, January is traditionally when our thoughts turn to health. Some sign up for a daunting Dry January, and many experiment with new fitness regimes and diets.

That may explain one source of unexpected cheer on the UK high street this month: Greggs' vegan sausage roll. The bakery chain launched the Quorn-based snack at the start of the month, and a health-conscious public has made it a hit.

But Britain's new-found appetite for fermented fungus in flaky pastry may not herald a wholesale switch to meat-free living. Greggs reports that sales of regular sausage rolls have risen even as the vegan versions sell out, with disappointed customers settling for the next-best thing. Consumers still seem to care more about sausage than whether it's made from meat or mycoprotein.

**Please talk to your financial adviser for more information**

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