

# Monthly Market Summary

June 2019



## Summary: Stocks edge higher on dovish central banks

Global equity markets rallied further in June +5.7% (in local currency) as leading US equity benchmarks recorded all-time highs. Key events included:

- Market anticipation of looser monetary policy from global central banks;
- US-Sino trade tensions easing in the wake of the G20 meeting;
- Sovereign bond yields falling with the 10y bund touching an all-time low.

Hopes of a positive outcome from trade talks at the Osaka G20 summit and dovish monetary policy comments from central banks drove equity markets higher in June. Concluding a positive month for investors, Presidents Trump and Xi confirmed at the G20 to resume trade negotiations and to hold back additional tariffs for now. The US had threatened to impose additional tariffs on \$325bn of Chinese goods should trade talks break down. In commodities, oil prices climbed due to: 1) OPEC looked on track to extend supply cuts beyond 2019, and; 2) increased tensions in the Middle East. Meanwhile, gold rose to its highest level in over 5 years on the prospect of lower short-term interest rates.

## US: Tariff de-escalation, Fed to “act as appropriate”

Leading US benchmarks reached record highs in June as the Fed signalled a more dovish stance, citing rising economic uncertainties and muted inflationary pressures. Leaving rates unchanged, the Fed said it would “act as appropriate to sustain the (economic) expansion”. On trade, recent protectionist efforts towards neighbouring Mexico receded as President Trump called off plans to impose tariffs on all Mexican goods, reaching an agreement on tighter migration controls. Meanwhile, economic data softened in June as manufacturing activity slowed (ISM manufacturing PMI at 51.7), the weakest reading since October 2016. While unemployment remains low at 3.6% – the lowest level since 1969 – the latest gauge of the US jobs market saw fewer jobs added than expected.

## Europe: Dovish ECB, Mixed data, Wage growth

A dovish ECB set the stage for more stimulus and revised its interest rate expectations citing a risk outlook “tilted to the downside” for the European economy. Its first post-crisis rate hike is unlikely to happen before mid-2020 policymakers said, in the absence of improving inflation (unchanged at 1.2% in June y/y). Meanwhile, the yield on the 10y German bund hit a record low of -0.33% as the German central bank cut the economic output forecast to 0.6% from 1.6% prior, as exports remain lacklustre. Business morale fell with the German IFO survey (97.4) falling for a third consecutive month. By contrast, wages and salaries in the Euro area saw its strongest growth (+2.5% y/y) in almost 10 years and unemployment levels remain low at 7.5%.

## Asia: Soft Chinese data, Japan’s manufactory contraction

Economic data in China deteriorated as industrial output growth slowed to a record low (5% y/y), and the Caixin manufacturing PMI fell (49.4) after three months in expansionary territory – renewing calls for Beijing to roll out further stimulus to boost the economy. Separately, positive reports of a possible US-China trade truce towards the end of June supported China’s equity market (MSCI) which returned almost +8% over the month (in local currency). Elsewhere, manufacturing activity in Japan contracted to a three-month low (PMI at 49.3), as exports remain weak amid global trade uncertainty, and inflation fell to 0.7% (y/y) from a six month-high.

## Market summary (total return in local currency)

Fixed Income	Yield	1M %	1 Yr %
US 10 Yr	2.01%	1.4%	10.1%
UK 10 Yr	0.83%	0.4%	5.7%
Swiss 10 Yr	-0.53%	0.4%	3.9%
German 10 Yr	-0.33%	0.9%	5.7%
Global IG (hdg \$)	2.44%	2.1%	9.6%
Global HY (hdg \$)	5.83%	2.9%	8.8%
Equity Index	Level	1M %	1 Yr %
S&P 500	2'942	7.0%	10.4%
MSCI UK	12'067	4.0%	1.6%
SMI	9'898	3.9%	18.8%
Eurostoxx 50	3'474	6.0%	6.1%
Nikkei	21'276	3.4%	-2.5%
Hang Seng	28'543	6.7%	2.5%
MSCI World (lcl)	247	5.7%	6.1%
MSCI World (\$)	259	6.5%	5.7%

## Currencies (trade-weighted, nominal)

US Dollar	-1.8%	1.2%
Euro	0.5%	-0.3%
Yen	-0.4%	4.5%
Pound Sterling	-0.6%	-1.2%
Swiss Franc	1.4%	3.8%
Chinese Yuan	-1.0%	-2.7%

## Other

Other	Level	1M %	1 Yr %
VIX	15.1	-19.4%	-6.3%
Brent (\$/b)	66.6	7.4%	-12.4%
Gold (\$/oz)	1'410	8.0%	12.5%

Sources: Bloomberg, Rothschild & Co

## Manufacturing PMI “heatmap”

	2019					
	J	F	M	A	M	J
US	55	53	52	53	51	51
UK	53	52	55	53	49	48
Euro area	51	49	48	48	48	48
FR	51	52	50	50	51	52
DE	50	48	44	44	44	45

Sources: Bloomberg, Rothschild & Co

Manufacturing PMIs are economic indicators derived from monthly surveys of companies (>50= expansionary).



---

## Important information

This content is produced by Rothschild & Co Wealth Management UK Limited for information purposes only. This content does not constitute a personal recommendation or an offer or invitation to buy or sell securities or any other banking or investment product.

Nothing in this content constitutes legal, accounting or tax advice. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your original investment. Past performance should not be taken as a guide to future performance. Investing for return involves the acceptance of risk: performance aspirations are not and cannot be guaranteed. Should you change your outlook concerning your investment objectives and/or your risk and return tolerance(s), please contact your client adviser. Where an investment involves exposure to a foreign currency, changes in rates of exchange may cause the value of the investment, and the income from it, to go up or down.

Income may be produced at the expense of capital returns. Portfolio returns will be considered on a "total return" basis meaning returns are derived from both capital appreciation or depreciation as reflected in the prices of your portfolio's investments and from income received from them by way of dividends and coupons.

Holdings in example or real discretionary portfolios shown herein are detailed for illustrative purposes only and are subject to change without notice. As with the rest of this content, they must not be considered as a solicitation or recommendation for separate investment.

Although the information and data herein are obtained from sources believed to be reliable, no representation or warranty, expressed or implied, is or will be made and, save in the case of fraud, no responsibility or liability is or will be accepted by Rothschild & Co Bank AG as to or in relation to the fairness, accuracy or completeness of this content or the information forming the basis of this content or for any reliance placed in this content by any person whatsoever. In particular, no representation or warranty is given as to the achievement or reasonableness of any future projections, targets, estimates or forecasts contained in this content. Furthermore, all opinions and data used in this content are subject to change without prior notice.

This content is distributed in Switzerland by Rothschild & Co Bank AG and in the UK by Rothschild & Co Wealth Management UK Limited. Law or other regulation may restrict the distribution of this content in certain jurisdictions. Accordingly, recipients of this content should inform themselves about and observe all applicable legal and regulatory requirements. For the avoidance of doubt, neither this content nor any copy thereof may be sent to or taken into the United States or distributed in the United States or to a US person. References in this content to Rothschild & Co are to any of the various companies in the Rothschild & Co Continuation Holdings AG operating/trading under the name "Rothschild & Co" and not necessarily to any specific Rothschild & Co company. None of the Rothschild & Co companies outside the UK are authorised under the UK Financial Services and Markets Act 2000 and accordingly, in the event that services are provided by any of these companies, the protections provided by the UK regulatory system for private customers will not apply, nor will compensation be available under the UK Financial Services Compensation Scheme. If you have any questions on this content, your portfolio or any elements of our services, please contact your client adviser.

The Rothschild & Co group includes the following wealth management businesses (amongst others): Rothschild & Co Wealth Management UK Limited. Registered in England No 04416252. Registered office: New Court, St Swithin's Lane, London, EC4N 8AL. Authorised and regulated by the Financial Conduct Authority. Rothschild & Co Bank International Limited. Registered office: St Julian's Court, St Julian's Avenue, St Peter Port, Guernsey, GY1 3BP. Licensed and regulated by the Guernsey Financial Services Commission for the provision of Banking and Investment Services. Rothschild & Co Bank AG. Registered office: Zollikerstrasse 181, 8034 Zurich, Switzerland. Authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).