

## UK Employment Situation

- It's all good

If you're looking for evidence of the maleffects of Brexit-inspired uncertainty, you wont find it on the pages of the most recent UK labour market report.

Figures from the Office for National Statistics, covering the three months to November 2018, suggest that the number in work increased 328,000 to 32.5 million over the preceding 12 months or so. Additionally, the employment rate – at 75.8% – stands at it's highest level in a record that stretches back to 1971 and the unemployment rate – at 4.0% – has not been lower since March 1975.

## Eurozone and Japan MPCs

- Only the weather has changed

Meeting last week, policymakers at the giant Japanese central bank opted for more of the same. Rates remain unchanged and asset purchase schedules remain unchanged. It is likely that we will repeat that statement after each of the seven Monetary Policy Meetings scheduled in the year ahead.

Much more exciting, by comparison at least, are meetings of the Governing Council at the European Central Bank (ECB). That outside chance we've mentioned – that the ECB might edge toward looser, rather than tighter, policy in the months ahead – looks less unlikely with each meeting. There's no change for now, but Mario Draghi's comments to the press following last week's meeting where certainly more dovish in tone.



# Last Week

In Markets



## Other Developments

### China Output Growth

A few days before the National Bureau of Statistics of China was due to release its estimate for output growth in 2018, it downgraded growth in 2017 from 6.9% to 6.8%. In the event, the 2018 increase in gross domestic product is thought to amount to 6.4%.

That's more or less in line with the consensus. As it happens, 6.4% is the slowest pace of growth since 1990 when China's expansion was hamstrung by international sanctions – sanctions which were applied in the aftermath of the Tiananmen Square massacre the year before.

It is not known how many of its people the People's Republic of China killed early in June 1989 – reports vary from 180 to more than 10,000. Back then, students had gathered their masses, calling for less corruption, a commitment to democratic reforms

and more freedom; including freedom of speech and freedom of the press – all things which Deng Xiaoping weirdly dismissed as some kind of veiled plan to turn China into a 'totally Western-dependent bourgeois republic'. The Chinese economy has delivered improved living-standards for a great many of its citizens in the 30 years since the 'June 4th Incident'. That has been enough to propel China toward 'middle-income' status and, allied with brutal repression, sustain the Communist Party of China in power.

But that was the easy bit. Progress from middle income to 'high income' is much more difficult. And all of the countries that occupy the high income bracket are democracies with all that entails; free speech, a free press and little corruption.

While the ECB refrained from taking new policy steps to address the slowdown, leaving its key interest rates and policy guidance unchanged, investors are betting that the slowdown will ultimately delay a move by the ECB to raise short-term interest rates, currently set at -0.4%. Many investors don't expect an increase before mid-2020.

“The ECB is burying the last hope of an interest rate hike in 2019,” said Klaus Bauknecht, chief economist at Deutsche Industriebank AG in Cologne, Germany.

Indeed, Mr. Draghi's comments suggest the ECB is leaning the opposite way: toward more easy-money policies.

“We have lots of instruments and we stand ready to adjust them or use them according to the contingency that is produced,” Mr. Draghi said, listing options such as forward guidance on interest rates, bond purchases and long-term loans to commercial banks.

Wall St Journal  
24 January 2019

## This Week

### Monday

US Dallas Fed manufacturing index

Mexico trade

Eurozone ECB president speech

### Tuesday

Australia business confidence

France consumer confidence

US house price

Japan retail sales

### Wednesday

Japan consumer confidence

Eurozone business confidence

Germany inflation

US monetary policy

Sino-US trade talks

### Thursday

UK consumer confidence

China manufacturing PMI

UK house prices

Eurozone employment situation

Eurozone GDP

### Friday

Eurozone manufacturing PMI

UK manufacturing PMI

Eurozone inflation

US employment situation

# Market Dashboard

	Bank Base Rate	- 0.75%
	Inflation (Y-o-Y)	- 2.1%
	Unemployment Rate	▼ 4.0%
	Wage Growth	▲ 3.4%
	House Prices	- £212,281
	3 Month Trade (£B)	- -7.9
	GDP (Y-o-Y)	- 1.5%

Market Data		▲▼
<b>Equity Index Levels</b>		
FTSE 100	▼	6,809
S&P 500	▼	2,665
DAX	▲	11,282
Nikkei 225	▲	20,774
<b>Bond Yields</b>		
10 year UK Gilt	▼	1.19
10 year US Treasury	▼	2.76
10 year German Bund	▼	0.20
10 year Japanese GB	▼	0.00
<b>Commodity Prices (\$)</b>		
Brent Crude	▼	61.5
Gold Bullion (per t oz)	▲	1,309

## China Annual Economic Growth



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