

Market Update

Week 09: 25 February 2019



UK Employment Situation

- Steady

The Office for National Statistics counts the unemployed proportion of the 'economically active' population at 4.0% in the most recent data (covering the three months to December 2018). That's in line with the prior count.

An estimated 32.6 million people are in work in the UK; 444,000 more than there was a year earlier. Of those, around 844,000 were employed on zero-hours contracts which, as it happens, is 57,000 fewer than at the same time last year. Meanwhile, 1.36 million citizens are 'not in work but [are] seeking and available to work' with a further 8.63 million said to be 'economically inactive'.

USA Monetary Policy Meeting

- A more balanced outlook

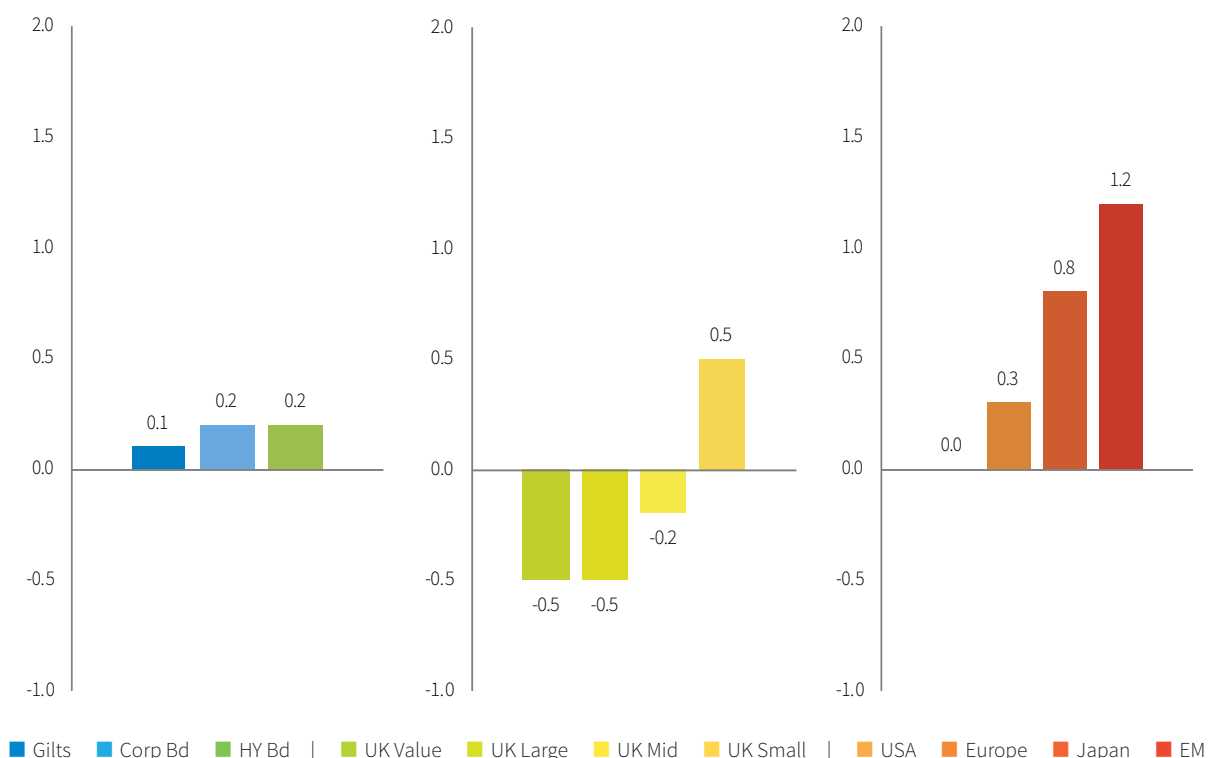
We're still clinging to our early call for two rate rises from the Federal Open Market Committee (FOMC) for the year. Although the probability of this happening is looking less likely.

The minutes from the most recent meeting of the FOMC reveal a dovish tone that jars with prior meetings. Our reading suggests that the Fed is ready to pause in running down its balance sheet (by slowing or ceasing the reversal of earlier quantitative easing). That, if it isn't dovish enough, opens the door to at least the possibility of a rate cut. We're a long way from calling a rate cut but, today, our call for two rate rises looks brave.



Last Week

In Markets



Other Developments

USA Leading Indicators and Eurozone Inflation

The Conference Board Leading Economic Index (LEI) represents an ‘analytic system designed to signal peaks and troughs’ in the US business cycle. We’re not altogether convinced that the think-tank boffins over at the Conference Board are always successful in their goal, but we are nonetheless happy to hear what they have to say. Last week, they published the results of their latest computations, summarising the outlook thus...

‘The US LEI has now been flat essentially since October 2018. The Conference Board forecasts that US GDP growth will likely decelerate to about 2% by the end of 2019.’ That sounds about right to us.

On the face of it, Eurozone inflation is headed in the wrong direction. The year-on-year increase in the headline Consumer Price Index was 1.4% in January, down from 1.5% a month earlier. Meanwhile core inflation – which excludes volatile price changes in the energy and food sectors – increased from 1.1% to 1.2%. We’re inclined to focus on the core rate more than the headline rate and so we see little reason for alarm.

As is usual, the aggregated, eurozone-wide average hides a great deal of variability at the individual state level. Inflation ranges from a low of 0.5% in Greece to a high of 3.2% in Romania.

Cyclical stocks typically tied to the health of the U.S. economy have propelled the Dow Jones Industrial Average near a new alltime high, illustrating renewed investor confidence in the nearly 10-year expansion... [The] rally is largely tied to signals from the Federal Reserve that it has paused in its bid to raise interest rates, along with data pointing to strength in the labor market. Some investors are now wagering the slow but sturdy economic expansion will also continue into the second half of this year and exceed the record from the 1990s.

Wall St Journal
24 February 2019

This Week

Monday

Poland employment situation

US Dallas Fed manufacturing index

South Korea consumer confidence

Tuesday

German GfK consumer confidence

US house prices

US Fed chairman testimony

South Korea business confidence

Wednesday

Eurozone economic sentiment

Canada inflation

Japan industrial production

Japan retail sales

Thursday

UK GfK consumer confidence

China non-manufacturing PMI

UK house prices

France GDP

US GDP

Friday

Japan manufacturing PMI








China manufacturing PMI

Japan consumer confidence

Eurozone manufacturing PMI

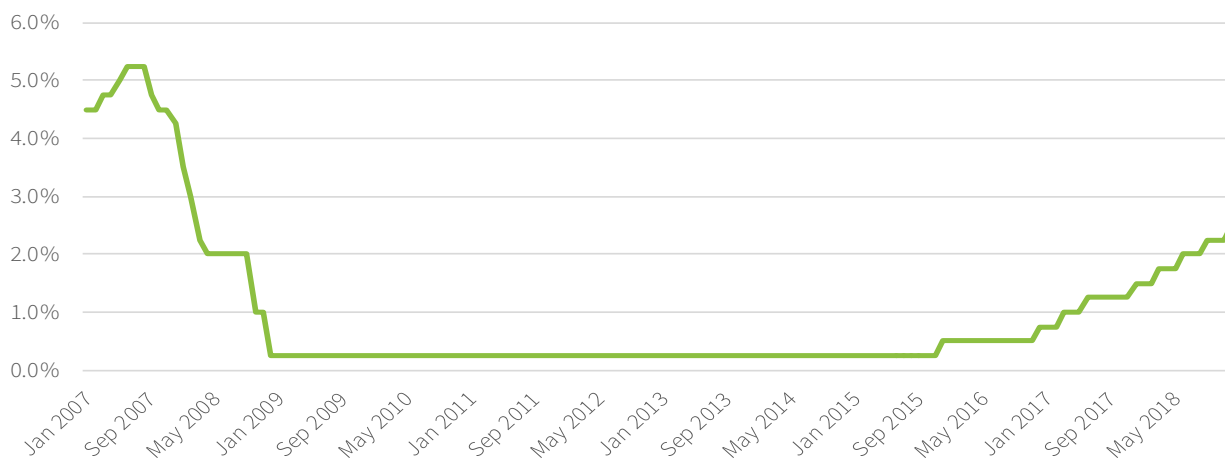
US Inflation

Market Dashboard

	Bank Base Rate	- 0.75%
	Inflation (Y-o-Y)	- 1.9%
	Unemployment Rate	- 4.0%
	Wage Growth	- 3.4%
	House Prices	- £211,966
	3 Month Trade (£B)	▼ -10.4
	GDP (Y-o-Y)	- 1.3%

Market Data	
Equity Index Levels	
FTSE 100	▼ 7,179
S&P 500	▲ 2,793
DAX	▲ 11,458
Nikkei 225	▲ 21,426
Bond Yields	
10 year UK Gilt	▼ 1.05
10 year US Treasury	▼ 2.65
10 year German Bund	▼ 0.10
10 year Japanese GB	▼ -0.04
Commodity Prices (\$)	
Brent Crude	▲ 66.9
Gold Bullion (per t oz)	▲ 1,331

US Fed Fund Rate



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135/137 New London Road, Chelmsford, Essex CM2 0QT
 t. 01245 506010
 e. enquiries@montagewealth.co.uk
 w. montagewealth.co.uk

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