

UK Economic Output

- How you like me now

The British economy continues to defy the gloomier of forecasts. Not in so much of a style, you understand; output growth isn't romping ahead, but it certainly hasn't been mired in any meaningful malaise.

According to the Office for National Statistics, gross domestic product increased 0.2% during February. That's lower than January's whopping 0.5% increase but it leaves the most recent rolling three-month period (from December to February) up 0.3% even accounting for the fall of 0.3% in December. Expectations for growth in Q1 stand at something close to 0.2%. Happily, we think the actual figure, when it is released, will come in comfortably ahead of that.

It's true, results which are stronger-than-expected might be explained by Brexit-induced stockpiling or rushed production ahead of the 31 March deadline. And we might, as a result, reap a much poorer harvest over the next few months.

But, equally so, we might not.

USA Monetary Policy Notes

- Not up, not down

Last week, the Federal Reserve published the minutes from the meeting of the Federal Open Market Committee on the 20th of last month when officials voted to maintain the upper limit on the target for the Fed Funds rate at 2.5%.

On reading the minutes, we conclude that this is where the Fed will leave rates the remainder of this year.

We've abandoned altogether our earlier expectation for another two 25 basis-point hikes in the second half of the year.

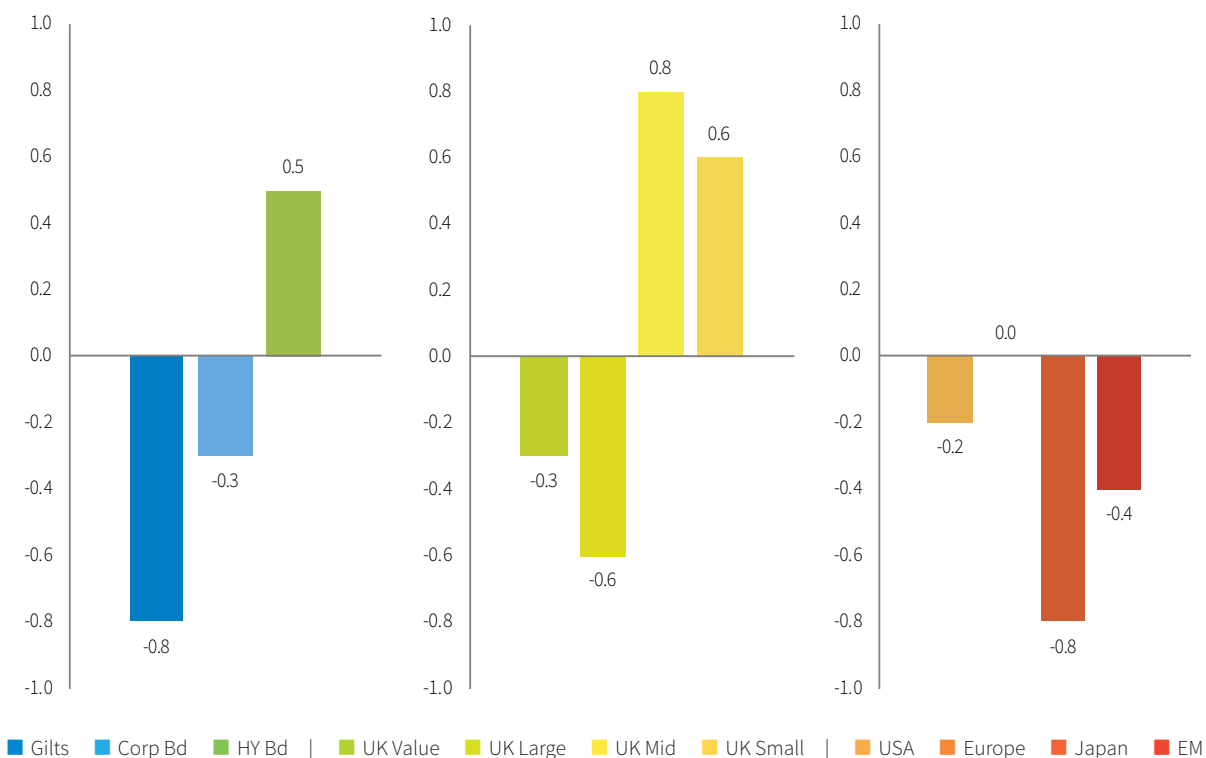
Now, in a further evolution of that mode of thought, we've reluctantly dropped any anticipation we might have harboured for one rate rise before Christmas.

Mind you, we are not ready to call a rate reduction. That, oddly enough, still leaves us on the hawkish side; we think the chances of cut in the main policy rate lie at something like 20% compared with a market-implied probability of closer to 40%.



Last Week

In Markets



Other Developments

OECD Composite Leading Indicators

The boffins over at the Paris-based Organisation for Economic Cooperation and Development have just published their economic outlook. It is based on what they describe as a Composite Leading Indicator (CLI) – a mixed analysis ‘designed to anticipate turning points in economic activity relative to trend six to nine months ahead’.

Apparently, ‘the CLIs continue to anticipate easing growth momentum in the United States, Japan, Canada, the United Kingdom and the Euro area as a whole, including Germany and Italy’. Meanwhile, ‘in France, the CLI now points to stabilising growth momentum’ and ‘among major emerging economies, the CLI for India continues to anticipate stable growth momentum, with similar signs emerging for the industrial sector in China.

In Brazil, growth gaining momentum remains the assessment while in Russia the CLI continues to point to easing growth momentum’.

We’re a little bit sceptic; we wonder how accurate their vision may be.

But we’re not cynics, and, on this occasion, we think we concur.

“The signal I get is worries about the economy that maybe we had, I had, several months ago—that the economy may be slowing much more than I expected—those worries have receded somewhat,” Mr. Williams said. He said the job market remains strong with the expected level of wage growth, and he said that while he sees the first quarter falling short of 2% growth, he expects that pace will be achieved for the year as a whole.

What happens with inflation is “part of the calculus of thinking where monetary policy should be... .I do worry that if inflation systematically undershoots our target, inflation expectations can come down and drift to a lower level and make it harder for us to achieve our goals. It’s really important we get to 2%.”

John Williams, vice chairman of the Federal Open Market Committee
11 April 2019

This Week

Monday

India inflation

India trade

US NY Empire State manufacturing index

Tuesday

Australia monetary policy minutes

UK employment

Eurozone economic sentiment

US industrial production

Japan trade

Wednesday

China GDP

Japan industrial production

UK inflation

Eurozone inflation

US trade

Thursday

South Korea monetary policy

Australia employment situation

Eurozone manufacturing PMI

UK retail sales








US manufacturing PMI

Friday

Italy business confidence

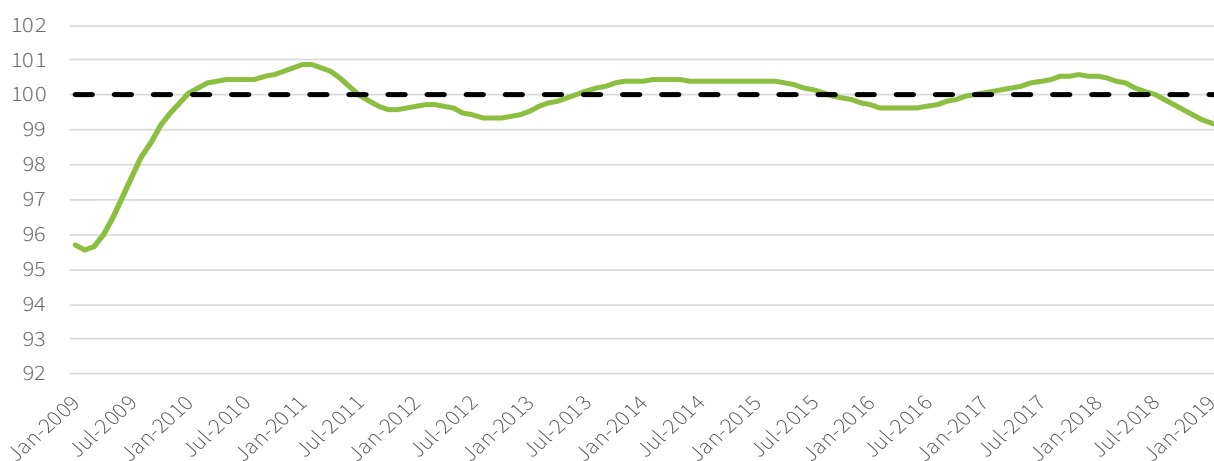
US housing situation

Market Dashboard

	Bank Base Rate	- 0.75%
	Inflation (Y-o-Y)	- 1.9%
	Unemployment Rate	- 3.9%
	Wage Growth	- 3.4%
	House Prices	- £213,102
	3 Month Trade (£B)	▼ -13.6
	GDP (Y-o-Y)	- 1.4%

Market Data	
Equity Index Levels	
FTSE 100	▼ 7,437
S&P 500	▲ 2,903
DAX	▼ 12,000
Nikkei 225	▲ 21,871
Bond Yields	
10 year UK Gilt	▲ 1.21
10 year US Treasury	▲ 2.57
10 year German Bund	▲ 0.06
10 year Japanese GB	▼ -0.05
Commodity Prices (\$)	
Brent Crude	▲ 71.6
Gold Bullion (per t oz)	▼ 1,294

OECD CLI (100 = Long Term Trend)



Montage Wealth Management is a trading style of Montage Portfolio Management Ltd which is authorised and regulated by the Financial Conduct Authority. Registered in England No. 4137475. Registered Office as below.

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

© Copyright 2018 Montage Portfolio Management Ltd. All Rights Reserved. This document is for the private use of a prospective or existing client of Montage Wealth Management.

The information in this Market Update is for guidance only and does not take into account the specific objectives or circumstances of any individual, and is not intended as investment advice. This information is not a recommendation, and should not be regarded as a solicitation or invitation to buy or sell any security or fund. Whilst we believe the information within this Market Update to be correct we cannot assume any liability for any errors or omissions.