A Month in the Markets.

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Market Overview

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May proved a challenging month for global equity markets as a double hit of uncertainty about international trade policy and concerns around deteriorating global economic growth combined to precipitate a selloff in global equities while core government bond yields declined.

US

In the US, the S&P 500 and the Dow Jones Industrial Average fell over the month as investors grew concerned about the possibility of a further escalation in the trade war between the US and China. Against that backdrop, technology stocks were some of the hardest hit in the month's sell off. Despite continued strong employment data, retail sales data (a good indication of the financial health of the US consumer) came in below expectations. Other weakness in manufacturing indicators coupled with an environment of subdued inflation added to expectations the Federal Reserve will cut rates before the end of 2019, and perhaps even as early as July, leading to strong performance in US government bonds as this caused yields to fall and prices to rise.

UK

In the UK, the Bank of England's Monetary Policy Committee (MPC) unanimously decided to keep interest rates at 0.75% during the May policy meeting, where they have been since August last year. The MPC said the economic outlook would continue to depend "significantly on the nature and timing of European Union withdrawal".

Adding to uncertainty around European Union withdrawal, on May 24th Theresa May announced she would step down as Conservative Party leader. Mrs May will continue to serve as Prime Minister while a Conservative leadership contest takes place. Investors will keep an eye on President Trump's visit to Britain, which begins on 3rd of June 2019 and comes at a time of deep political uncertainty ahead of Prime Minister Theresa May's resignation. Over the month, the pound depreciated against the dollar by over 3% on the backdrop of the UK political and economic uncertainty. The FTSE 100 fell by 3% in line with global equities as the US and China continued to ramp up rhetoric around trade.

Eurozone

In the Eurozone, Gross Domestic Product expanded 1.2% year-on-year in the first quarter of 2019, in line with consensus. However, forward looking data was more mixed as Germany experienced a fifth month of contraction in the manufacturing sector (Purchasing Managers Index) due to a continued fall in new orders amid a slowdown in the car industry. European equities fell in line with global equities over the month while core European government bonds posted strong gains.

Asia

In Asia, Japanese equities finished the month lower as President Trump conducted a four day state visit as the first foreign leader to meet Japan's new emperor, Naruhito, as the two countries continue negotiations for a trade deal. Chinese data continued to disappoint against the back drop of high expectations for China's revived stimulus program.

In line with muted prospects for China, trade data across the Asia region was weaker, reinforcing investors' concerns around the prospects for global growth over the coming quarters. In India, Narendra Modi's Bharatiya Janata Party won a surprise majority in national elections for India's lower house.

Important Information