

# Quarterly Investment Round Up

Q2 2019

## Introduction

With the advent of minimum contributions for auto enrolment having increased in April 2019 and funds now building at a faster pace, we thought it would be useful to now provide a quarterly investment round up. This summary includes the main economies that employees will be investing in, and we show the index performance for each mainstream investment as nearly all funds within employee's portfolios will be passive funds (a fund that automatically tracks the market index).

We start with Q2 2019 – APRIL TO JUNE

## UK Equities

There were highs and lows within the quarter but the higher returns came when the expectation of a tariff truce between the U.S. and China were at their highest. Global UK businesses with strong links to the global economy achieved some of the better returns of the quarter.

**The FTSE All-Share Index registered a return of 3.3% in the three months to end of June.**

**The obvious political risk reared its head again with both Conservative leadership contestants stating they would not rule out a no-deal Brexit.** The decline in sterling against the dollar was helpful to several businesses within the FTSE All-Share Index that operate overseas and derive profits in US dollars.

## US Equities

**There were healthy gains for investors in US equities with the S&P 500 index up 6.8% for the quarter.** The weakness of sterling versus the US dollar also helped UK based investors with performance. Performance was boosted by the trade tariff truce combined with the US Federal Reserve (Fed) ruling out interest rate rises for 2019. The Fed also stated that it would consider interest rate cuts.



## European Equities

The FTSE Eurofirst 300 Index registered a return of 7.4% with the weakness in sterling boosting the returns for UK based investors. The German stock market (Dax) fell heavily in May and June due to the large manufacturing base being vulnerable to the issues between the US and China. It is still not known what tariffs the US has in store for European manufacturers. Growth in the eurozone is still not up to policymakers' targets despite the stimulus already provided. The European Central Bank (ECB) has acknowledged that interest rates could be cut further, taking them into negative territory.

## Fixed Income

Government Bond Yields reduced over the quarter. Higher Government Bonds prices reflected the change in direction from the central bank towards reducing interest rates.

**The Bank of England must also face the challenges and uncertainty of Brexit. No trade deal has yet been agreed between the UK and the European Union.**

## Index Returns

STOCK MARKET RETURNS	% Change Q2 2019	% Change 12 months
FTSE All Share	3.3	0.6
S&P 500	6.8	14.5
FTSE Eurofirst	7.4	6.8
MSCI World	6.7	10.8
MSCI Emerging Markets	3.1	5.4

BOND MARKET INDICES	% Change Q2 2019	% Change 12 months
FTSE British Govt All Stocks	1.3	4.9
FTSE A (index-Linked) British Govt All Stocks	1.9	8.6
Iboxx UK Sterling Non Gilts All Maturities	2.0	5.9

Source: FE and Bloomberg, July 2019. This is for information purposes only.