Wealth Design Weekly Market Update: as of 14th January 2019
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Last week has been broadly positive, with a lull in the news cycle that has allowed the market to catch its breath. Ongoing trade talks between the US and China are being viewed positively, although there is no guarantee they'll produce anything concrete. While the US government remains shut down, it doesn't appear to be having an impact outside of those unfortunate enough to be stuck in the middle. This might change if the shutdown lasts past the end of the month when it could cause a delay in people receiving their tax refunds, which incredibly includes around 80 per cent of tax payers.

Elsewhere, the brief hiatus called last month is over and the government is back to getting its backside handed to it over the withdrawal agreement. The most interesting development so far has been the Grieve amendment, which forces the government to hastily come up with an alternative if the deal is defeated. This has effectively taken away the PM's only viable strategy of running the clock down and forcing her deal through at the end. Given that all sides of the argument hate her deal equally, this should be win-win. Brexiteers are furious.

Commodities: Gold Rush cools as trade talks continue

Gold prices cooled last week following gains made towards the end of last year. Investors rushed to park their money in the safe-haven to avoid turbulent markets (volatility for the S&P 500 more than doubled last year in comparison to 2017) and concerns of a global slowdown this year. Three days of trade talks last week between China and the US has renewed investor optimism with the S&P 500 and FTSE 100 up 2.15 per cent and 6.08 per cent respectively.

One commodity benefitting from ongoing trade negotiations is Oil. The WTI crude oil futures finally breached the $50 mark with Brent crude surging up 8.48 per cent last week. Another factor for Brent crude's rise is the OPEC- Russia agreement starting to be priced in. Oil supply cuts were announced earlier in December and usually take around six weeks to come into effect.

UK: Retailers suffer worst Christmas sales in a decade

It was a tough end of year for shops with retail growth stalling in December as customers refrained from a Christmas spending spree. There was no change in year-on-year sales figures and like for like sales contracted by 0.7 per cent. With the threat of a Brexit no-deal looming and business rates set to rise again this year following a tweak in formulae, bricks and mortar stores are in for a challenging start to 2019.

Individually, Halfords issued a financial year end profit warning while Debenhams Christmas sales figures dropped by three per cent – Debenhams shares have tanked 85 per cent in the last calendar year. Finally, M&S maintained its full year profit forecast as poor store sales were offset by stronger performance online. One retailer navigating the challenging market conditions well is Tesco. The retailer's like-for-like sales grew by 2.2 per cent over the festive period as consumer appetite for groceries remained undiminished. The purchase of Booker is also starting to pay off with sales for the wholesaler up 6.7 per cent.

Eurozone: Will Germany enter a technical recession?

Speculation is mounting as to whether Germany will enter a technical recession once the GDP figures for last quarter are published. The country posted a contraction of 0.2 per cent for Q3 last year and the latest industrial data points strongly to a similar story for Q4. Industrial production dropped by 1.9 per cent between October and November capping a hat trick of consecutive monthly losses for the indicator. Internal manufacturing orders remained relatively unscathed but external orders were weaker than expected as rising protectionism from the US continues to harm trade.

In similar fashion, the Eurozone economic sentiment indicator fell by two points last month in comparison to November. While the size of the drop may not ordinarily warrant much concern, this marks the 12th time the indicator has fallen in 2018. Unemployment levels for the Eurozone tightened to a decade-low rate edging down slightly to 7.9 per cent for the month of December.