MOORLAND MAYFAIR
WEALTH MANAGEMENT

TRUMP SPARKS GLOBAL SELL-OFF WITH CHINA TRADE SANCTIONS

This week the late news that Donald Trump has singled out China for $60 billion in tariffs, after giving most other countries a pass, has led to a dramatic escalation in trade war fears. While the market had recently begun to tune out most of the news from the White House, this latest announcement has hit a nerve; global stocks began selling off hard, with US and Asian markets reacting especially badly. For now, the markets are reacting to the news rather than the facts; the actual levies and their impact remains unknown.

The potential trade war has also managed to push Facebook and Cambridge Analytica off the front pages, at least for now. The breaking scandal has added significantly to the bad week for US stocks, with the tech giants losing some of their shine and leading the index lower even before the trade sanctions against China. This might be the excuse governments have been looking for to beef up the regulation of companies like Facebook and Google, which would make this just the beginning of a much tougher time for tech stocks.

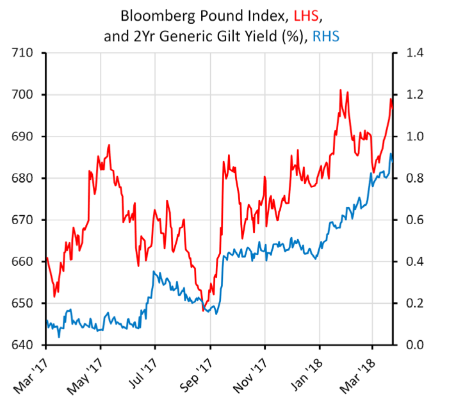
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-3.71%	-3.77%	-5.44%	-3.92%	-3.79%	-0.03%	+0.00%	+4.92%	+2.19%	-2.35%	+1.18%

UK: DAVIS SEEKS TO REASSURE BUSINESS WITH BREXIT TRANSITION DEAL

The UK and EU have agreed the terms of a Brexit transition deal, providing some assurances that a cliff-edge departure will be avoided next year. Under the agreement, the UK will retain access to the single market and customs union. However, it will have to wait until at least 2021 before taking control of laws and immigration. The period will begin when the UK officially leaves the union on March 29 2019 and is currently expected to end on December 31 2020 although many member states do not think this allows enough time to put preparations in place for the post-transition future.

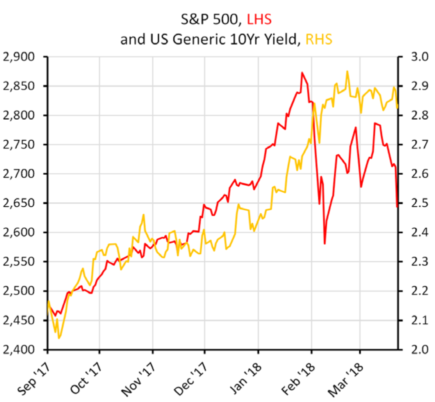
Before any deal can be put into practice, the two sides must agree to a withdrawal agreement before March 29 next year with several sticking points remaining, most notably the future of the Irish border. Nevertheless, the news was generally positive, causing the pound to strengthen markedly against the dollar. Policy-sensitive two-year gilt yields also rose sharply this week suggesting that investors took some reassurance from the announcement and moved towards riskier investments, causing bond prices to fall and yields to rise.



US: EQUITIES AND BONDS AT ODDS OVER FED FORWARD GUIDANCE

The Federal Open Market Committee (FOMC) voted unanimously to raise short-term interest rates by 25 basis points and signalled it could increase rates faster than expected in 2019 and 2020. In its policy statement, the first under Jerome Powell, the FOMC revealed that "information received since January indicates that the labour market has continued to strengthen and...economic activity has been rising at a moderate rate". The target range for the federal funds rate now stands at 1.5-1.75 percent.

While the rate rise was expected, the Bank's forward guidance held more surpises. The median forecast for short-term rates at end of 2018 remains unchanged, surprising many investors who had come to expect an additional hike this year. This has been pushed back to 2019 and further tightening is expected in 2020. Headline inflation remains below target but the Fed expects an acceleration over the medium partly in response to the recent fiscal expansion. US large caps were trading lower the day after the announcement but benchmark Treasury yields also fell, suggesting that bond investors did not detect a hawkish tone in Powell's comments.



TECHNOLOGY: LEAK CREATES TESLA-SIZED HOLD IN FACEBOOK MARKET CAP

Facebook lost $60 billion in market capitalisation in two days after it was revealed that 50 million users' data was used to influence the 2016 US presidential election. In 2014 a Cambridge University researcher allegedly collected data on 270,000 users and their friends through an app used to administer a personality quiz. Cambridge Analytica, a UK political consultancy with no other connection to the university, has been accused of then buying the data and using it improperly to deliver pro-Trump material to target audiences online.

In response, Mark Zuckerberg has been called to provide evidence to both US Congress and UK Parliament. The US Federal Trade Commission has also recently launched an investigation into the social network. While claiming that the data was obtained legitimately, Mark Zuckerberg has admitted that a "breach of trust" occurred. Investors were obviously unimpressed by the comments. They are now suing the social network after its share price fell by around 12 percent in two days. This caused tech indices to extend losses after the first fatal crash involving a self-driving Uber car earlier in the week.