MOORLAND MAYFAIR
WEALTH MANAGEMENT

FACEBOOK BRUSHES OFF CAMBRIDGE ANALYTICA SCANDAL

The busiest week of earnings season has been an up-and-down, or rather a down-then-up, one for global equity markets. After Caterpillar, the biggest manufacturer of construction equipment in the world, suggested that its better-than-expected first quarter earnings will be the "high-water mark" for 2018, stocks rebounded after a display of resilience from the recently troubled US tech sector. First quarter earnings for Facebook and Amazon exceeded expectations despite the Cambridge Analytica and threats of tougher regulation from the Trump administration.

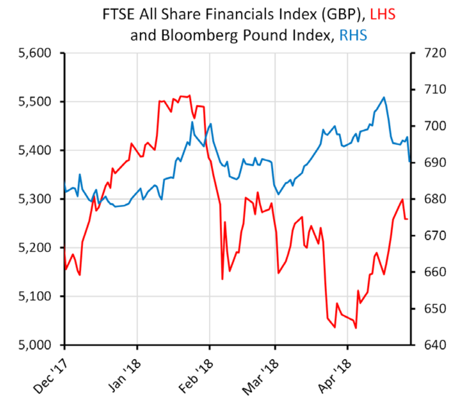
Elsewhere there was the "historic" summit between the leaders of North and South Korea. It was historic only in the sense that they met at the de-militarised zone instead of 114 miles north in Pyongyang. There were similar summits in 2000 and 2007 that didn't lead to any material improvement in Korean relations, let alone an end to the official state of war on the peninsula. Nevertheless, the news seemed to soothe investors with the KOSPI ticking up and the South Korean won strengthening slightly against the dollar.

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
+0.83%	-0.97%	+1.38%	+0.56%	-0.63%	+0.01%	0.00%	+0.22%	-2.26%	+4.48%	-0.86%

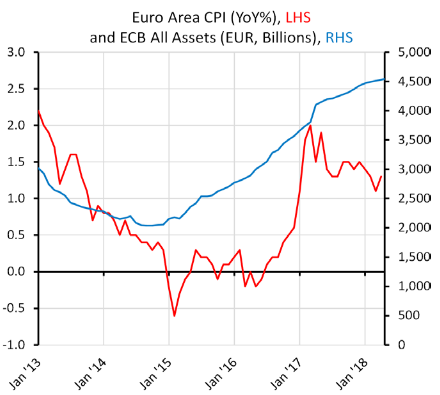
UK: "WILL THEY, WON'T THEY" ON POST-BREXIT CUSTOMS UNION

This week, division between UK Cabinet ministers has renewed uncertainty about the future of the country's post-Brexit trade relationship with the EU. Home Secretary Amber Rudd suggested that the issue of the customs union was still being discussed, commenting that she is "committed to the government's position, which to some extent we are still working on". Theresa May responded by reiterating that the UK will be leaving the European Union Customs Union (EUCU) on March 2019, when it will be able to pursue an "independent trade policy".



Adding to Theresa May's woes, news recently broke that GDP grew by only 0.1 percent in the first quarter of 2018, according to the Office for National Statistics. This is 0.2 percentage points lower than the consensus forecast and the slowest rate of quarter-on-quarter growth for five years. While the Chancellor of the Exchequer has blamed the poor weather, the ONS has said that there have been "pockets of weakness more broadly across the economy". By raising doubts about a rate rise next month, the weak data has caused a sharp drop in the pound.

EUROPE: ECB STAYS MONETARY COURSE DESPITE RECENT "MODERATION"



At its policy meeting on Thursday, the European Central Bank (ECB) decided to keep interest rates on hold and announced that it expects them to remain at their current ultra-low levels for "an extended period of time, and well past the horizon of our net asset purchases". ECB President Mario Draghi confirmed that the bank will continue to make monthly net asset purchases of 30bn euros until at least the end of September and these will be extended beyond then unless the bank sees "a sustained adjustment in the path of inflation consistent with its annual inflation aim".

In its policy statement the bank revealed that "incoming information since our March meeting points towards some moderation" in economy activity. While concerned about the development, the bank remains confident that the "underlying strength of the euro area economy" will support the convergence of inflation to "below, but close to, 2 percent over the medium term". The trade-weighted euro fell sharply on the news as investors downgraded their expectations for Eurozone interest rates. The yield on benchmark ten-year German bunds fell largely in parallel fashion.

US: RECORD EARNINGS SHOW TECH RESILIENCE

Major US stocks have benefited from better than expected first quarter corporate earnings, despite the recent string of concerns about the dominant tech sector. Facebook's net income was up 63 percent year-on-year in the first quarter and earnings per share beat analyst expectations by 25 percent. Total revenue, most of which comes from advertising, also beat expectations, growing 49 percent in the first quarter. The Cambridge Analytica scandal does not seem to have weighed significantly on first quarter performance.

Other FAANG stocks performed strongly as well. Shares in Amazon, Alphabet and Netflix jumped after impressive earnings reports despite the wobble earlier in the week when Caterpillar announced that its record first quarter profits would be a "high watermark for the year". Performance was also offset somewhat by the continued rise in Treasury yields. The yield on ten-year Treasuries climbed above three percent for this first time in four years, with investors fearing that higher interest rates could trigger an equity sell-off further down the line.