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This quarterly newsletter is designed to provide a brief overview of what's been happening in *the global economy and* world markets.

Equities

There was no reprieve for the bears in April, as share prices continued their march higher, with US markets rising another 4% following its 13.6% return in Q1 2019 with the S&P 500 setting three new closing highs in the last three trading days of the month.

Europe (ex-UK) rose 5% in April as the ECB left interest rates on hold for the rest of 2019 however UK equities underperformed, despite the news of an extension to the Article 50 deadline, as high profile Mining and Tobacco shares sold off sharply.

Emerging Markets were up 2.6%, led by South Africa and Middle East oil producing countries, the latter prompted by crude's gains due to the US's decision to end their oil-waivers on Iranian oil exports.

May saw a sharp reversal in fortunes for equity investors, as the US announced that they would be imposing tariffs on c.$200 billion worth of Chinese imports. China retaliated in kind, leading to big falls as markets were caught seemingly unprepared for the decision. The S&P 500 fell by 6.4% on the month, the first monthly loss of 2019, with Emerging Markets falling even more.

Europe and the UK also lost as investors pondered the implications for global trade volumes in both markets.

In June, records were broken aplenty, with the Dow Jones' June gains the highest since 1938 and the S&P 500 rising the most in the month of June (+6.9%) since 1955. That said, all regions benefitted from the Fed's implied U-turn on interest rates with Emerging Markets seeing a 6.3% return, Europe (ex-UK) gaining 6.3% although the FTSE All Share Index lagged a little, but still rose by 3.7%. In June alone, rises in both stocks and bonds added $4.5 trillion to Global market capitalisation.

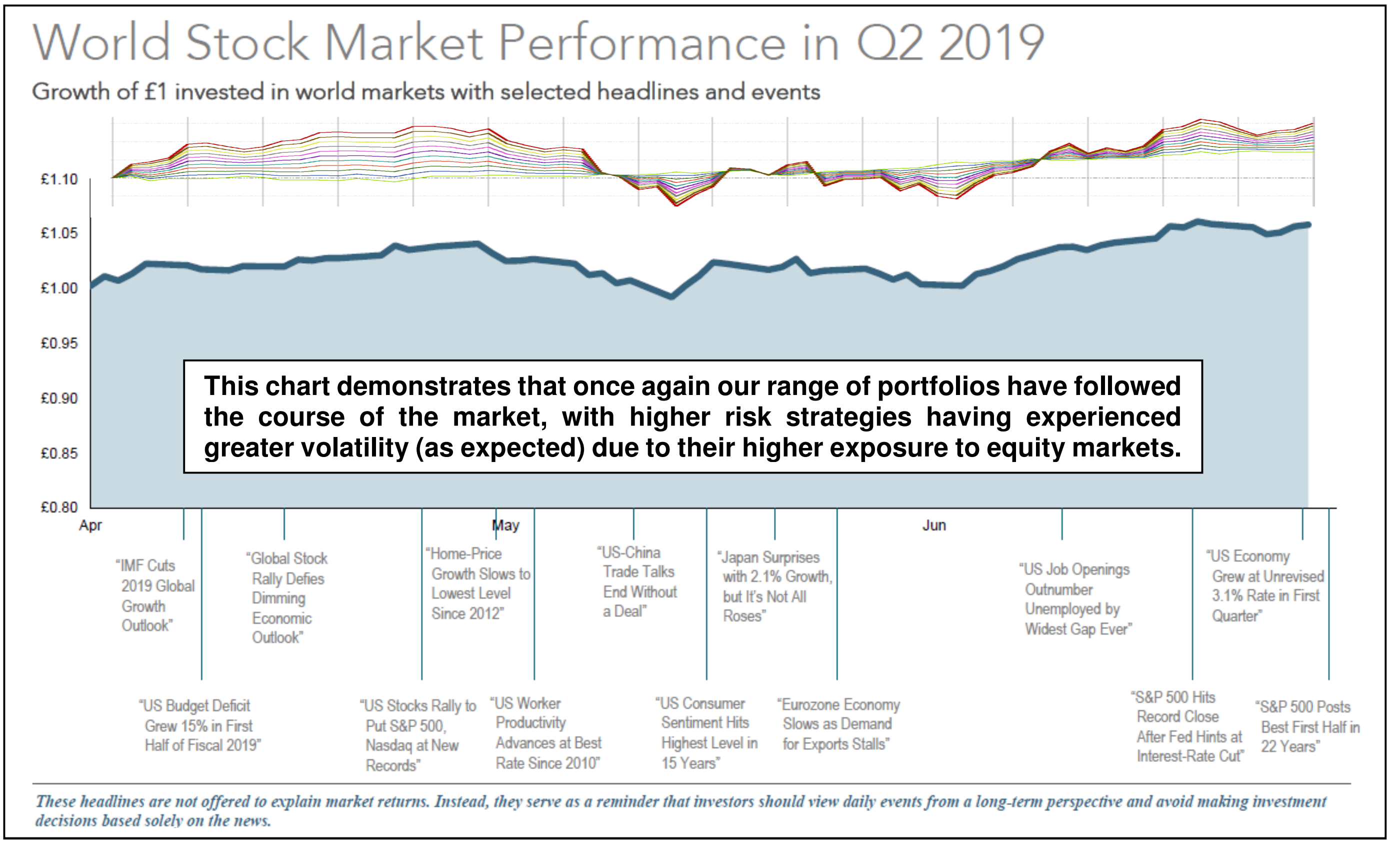
Fixed Interest

In April, bond yields rose a little, as improving economic data offset the effects of Central Bank's easing measures, causing most major markets to see falls in bond values, although Spain and Italy experienced small rises as the former saw the re-election of the incumbent Socialists, whilst the latter rebounded from sharp falls experienced in Q1, as tensions both within the Italian coalition Government and between Italy and the EU eased a little.

An extension to the UK Withdrawal process prompted selling pressure which further exacerbated losses for UK Gilts.

However bonds had an extremely positive month in May as a result of the equity falls, with investors once again fleeing to "safety"…

…and bonds contnued to see strong rises in June as signals from the Fed, the ECB and the Bank of Japan that the next move in interest rates is down, led to a broad price surge across Fixed Interest assets.



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Equity & Bond Returns

Since the start of 2019, it has been almost impossible to find an asset class that has fallen in price (indeed Silver is the only one) as investors have bought equities, bonds (and commodities) amidst universal expectations that Central Banks will once again rescue markets with oceans of new money.

Are markets beginning to price in another round of Global QE?

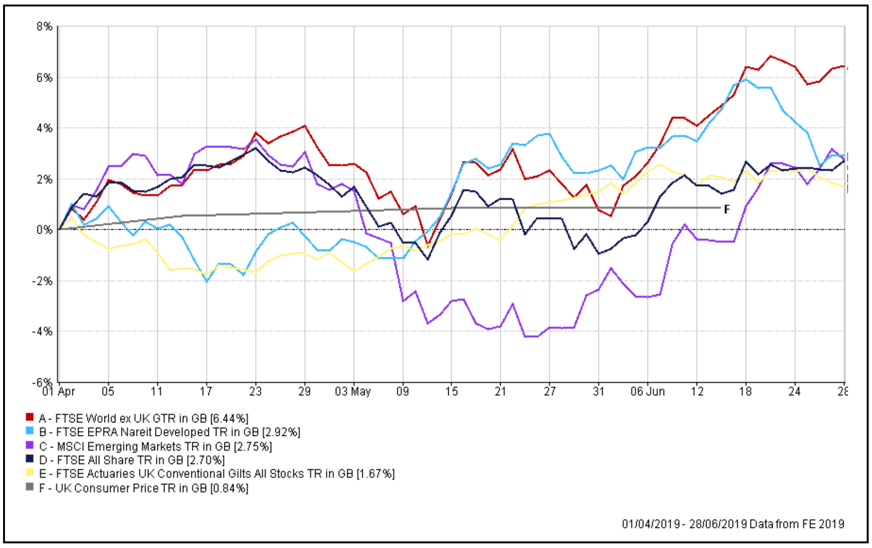
Property

April saw weak performance almost across the board, with almost all regions falling; only France (+1.23%) and the UK (+0.9%) bucking the trend.

The big losers were Japan, (-4.25%) and Germany (-4.91%), both of which were also relative laggards in Q1 (possibly as a result of concerns over their domestic economies), however these were the two big winners in May with Germany seeing gains of 9.1% on the month, and Japan 7.7%.

Elsewhere May saw rises for the US but falls for Emerging Markets and the UK.

The last month of the Quarter saw a wide variation in performance, with nearly 19 percentage points separating the best and worst performing regional markets, with China up 8.6% and Germany down 10.1%, more than reversing May's gains.



These two charts illustrate the variations in perforance across the different underlying sectors and the volatility associated with each, highlighting that all sectors saw positive returns over the quarter despite the falls that equity markets experienced in May.