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Flash stats

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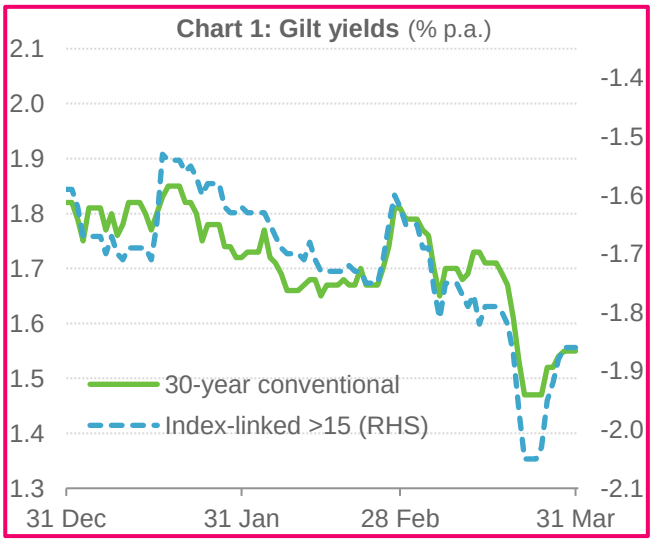
Equity markets rebounded strongly as global central banks, led by the US Fed, adopted looser monetary policy stances at the start of 2019. Global yields fell sharply amidst the dovish rhetoric and concerns over slowing global growth.

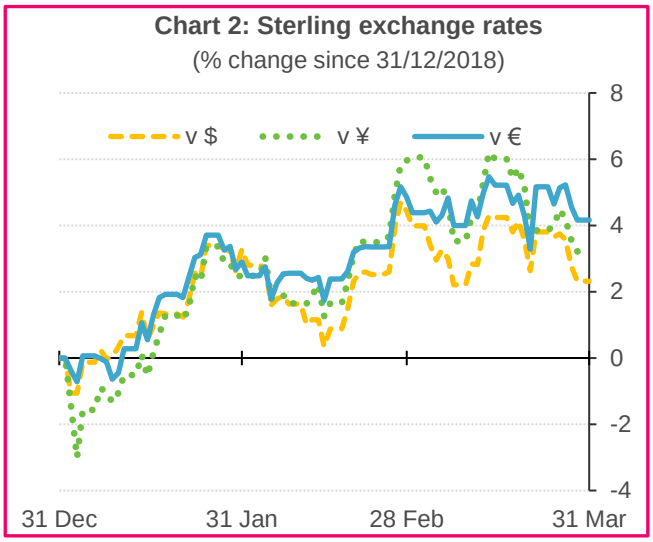
Sterling returns (%) to 31 March 2019

		3 mths	12 mths			3 mths	12 mths
EQUITY INDICES				**STERLING BOND INDICES**			
Global	*FTSE All-World*	9.6	10.7	Gilts (All)	*FTSE*	3.4	3.7
UK	*FTSE 100*	9.5	7.7	Index-linked (All)	*FTSE*	5.9	5.5
	FTSE All-Share	9.4	6.4	Corporates (All)	*iBoxx*	4.8	4.1
US	*S&P 500*	11.1	17.9	**MODEL UK PENSION FUNDS**			
Japan	*TOPIX*	4.4	-1.8	70% equity		7.9	7.4
Europe ex UK	*FTSE Dev Europe*	8.1	2.9	50% equity		6.9	6.4
Emerging	*FTSE Emerging*	7.9	1.9	30% equity		5.8	3.5

- US quarterly GDP growth continued to slow in the fourth quarter, however the US economy has been relatively resilient compared to Europe where the German economy has stalled, and Italy has fallen into a recession for the first time since early 2013.
- In the UK, Brexit risk continued to hamper business investment with growth slowing in the fourth quarter and forecasts for GDP growth being revised lower for 2019.
- Brent crude has stabilised around $67 in recent weeks, compared to $53 at the end-2018, but its sharp decline in the fourth quarter of 2018 has weighed on inflation expectations – consumer price inflation expectations for 2019 have been revised lower in most major developed economies except Japan.
- The slowdown in global growth and continued absence of inflationary pressures has seen central banks adopt a more dovish stance with the Fed suggesting no further rate hikes this year and the ECB indicating no interest rate hikes until 2020.



- The dovish rhetoric from central banks and concerns over slowing global growth saw both conventional and index-linked gilt yields fall over the quarter (chart 1). UK real yields hit record lows and fell further than conventional yields at shorter maturities, with near-term implied inflation rising as a result.
- Credit spreads have tightened since the turn of the year, perhaps an indication that investors are more relieved by the perceived end to monetary tightening than they are concerned by the slowdown in global economic growth.
- Sub investment grade credit markets outperformed investment grade markets as they benefited from signs of positive developments in the US-China trade talks, some stabilisation in oil-prices, and negative net issuance.
- Sterling has been the best performing major developed market currency in 2019 (chart 2), as a vote to reject a "no deal" Brexit and extension of Article 50 were perceived to reduce the risk of a hard Brexit.



- Despite signs of global growth slowing, the new year has brought a more optimistic tone across equity markets. Following their worst quarterly decline since 2011 in Q4 18, stock markets have rebounded strongly with global equities up 12.3% in local currency terms.
- North America was the best performing region, whilst Japanese equities lagged as the market's high exposure to global trade continued to weigh on sentiment (Chart 3). The FTSE All Share returned 9.4% over the quarter despite the strength of sterling being a headwind for the globally exposed larger cap names in the index.
- The improved overall sentiment and sharp bounce in risk assets brought about a reversal trends of the fourth quarter's sell-off as cyclical stocks outperformed more defensive sectors (Chart 4).
- The first two months of 2019 show, across sectors, rental growth has been flat year to date – rents marginally increased in February following two months of small declines. Slowing growth in industrial capital values remains insufficient to offset falling retail and office capital values, which have started to fall.