



Realm Investment Management

Market Update - April 2019

Following the recovery in global equity markets in the first quarter of 2019, April started strongly but saw weakness at the end of the month which has continued into May. Though as we explain in this update, our longer-term analysis remains positive.

Below we look at some of the most important factors that investors are focused on and how they might have an impact on markets going forward.

BREXIT

Talks between the government and the Labour party appear to have reached an impasse. A brief look at the Brexit headlines this week is enough to see that progress remains difficult. Michael Gove is asking that Labour be given more time and at the same time Shadow Brexit secretary Sir Keir Starmer says that a cross-party Brexit deal will not get through Parliament unless it is subject to a fresh public vote. With a recent poll suggesting that the Brexit party will get up to three times as many votes as the Conservatives in the European elections, senior Tories are becoming frustrated and are now pressing Theresa May to abandon talks with Labour altogether.

THE POUND

Versus the Euro and the US Dollar, the Pound is currently trading almost exactly where it was when we last commented a month ago. At this point our view is unchanged, namely: "How" (even "if") the UK leaves the EU will send the Pound sharply one way or the other. We stick with our technical view for GBPUSD that price above 1.3130 is a strong position but below that level implies weakness. We include below a weekly chart of GBPUSD showing that price is currently below that important level and that our Momentum indicator, although still positive, is weakening. From a purely technical viewpoint GBPUSD doesn't look particularly strong at the moment. However, a fall in the Pound isn't necessarily a negative for UK investors as overseas investments will benefit from a fall in sterling relative to the local currency of the investment.

U.K. EQUITIES

We include below our monthly UK Market Chart. This long-term view shows our Breadth indicator as positive and Momentum picking up. Equities have come lower over the last two weeks but this long-term chart has a positive look. We also note from our Relative Strength analysis that UK Small-caps are now out-performing Large-caps. A fact which currently favours our longer-term bias towards smaller companies.

U.S. / CHINA TRADE DISPUTE

We wrote last month that the markets were expecting a positive outcome. Unfortunately, trade negotiations between the two countries had another set-back last week. The U.S. increased tariffs on \$200 billion in Chinese imports and China has now retaliated. Most commentators are still optimistic that a deal can be done, but the question now is when? Escalating tensions won't help stock markets and the new tariffs, if they remain in place, could make progress difficult for equities.

U.S. EQUITIES

See below our U.S. Market Chart plotted on a monthly time frame through end of April. Our Breadth Indicator on this time-frame remains positive and our Momentum Indicator, which has been falling, picked up again in April. On the economic front, we think it is important to note that 90% of companies in the S&P 500 have now reported their first quarter earnings and 74% of these have beaten the analyst's expectations, which is a good sign for the economy and the stock-market.

OVERSEAS EQUITIES

Our Relative Strength analysis indicates that the U.S. remains a strong region, and on a longer-term basis so does Emerging markets, despite recent weakness. Europe as a region is showing signs of improvement but according to our numbers is not yet out-performing other global sectors. Japan remains weak in this analysis, a fact which helps explain our underweight position. China remains extremely volatile as one would expect due to the trade talks with the Trump administration. Whilst the remaining Asia Pacific region seems to be holding up reasonably well.

BONDS

Bonds generally have seen a resurgence this year since the fear of interest rate rises has abated. We include a weekly chart of the overall Bonds Sector, where you can see that this asset class has picked up strongly in the last month.

SUMMARY

Stockmarkets have seen some weakness recently, largely due to the US/China situation. Unfortunately, where this goes and whether tensions escalate no one can tell and therefore this remains the wild-card for the market along with the ongoing uncertainty over Brexit.

Dealing with what we do know, it is clear that the U.S. first quarter earnings were generally better than, expected and as a leading economic indicator, this should reassure investors that an imminent recession in the U.S seems unlikely.

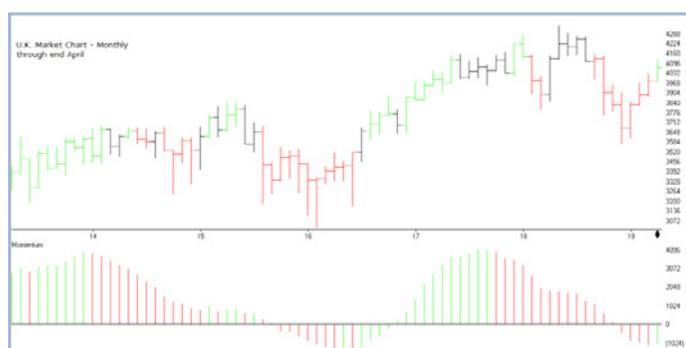
More recently there has been a re-assessment regarding the prospect of interest rate rises, as fears of a significant increase has abated in recent weeks which has helped lift Bonds. Most investors are expecting rates to remain stable for the next few months, if not until the end of the year.

Market sentiment indicators are moving up but not to extreme levels that would indicate the markets are over-heating, and our longer-term Market Charts, as you can see, look positive. We therefore remain reasonably optimistic.

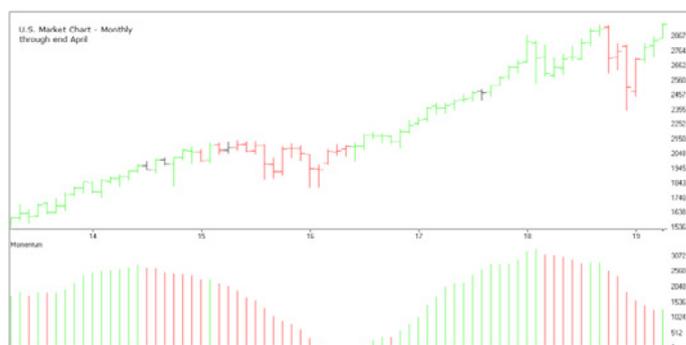
We hope you have found this latest update of interest. Thank you for reading.

Current Market Charts

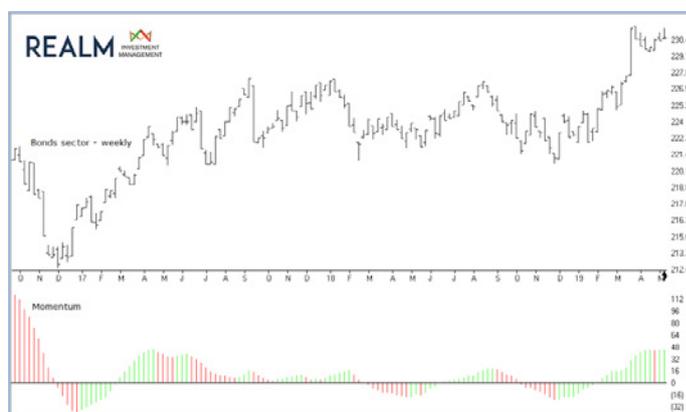
U.K. MARKET CHART - MONTHLY



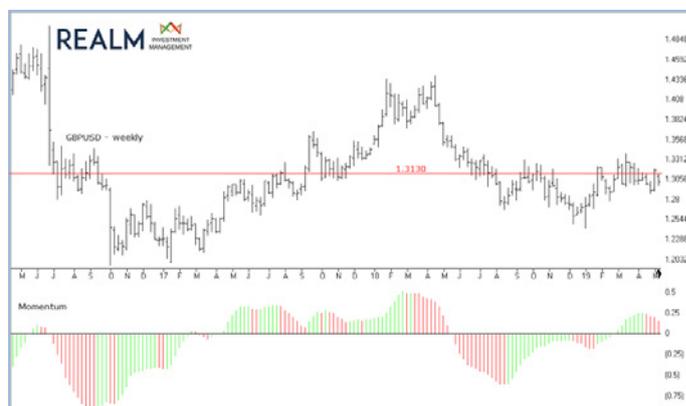
U.S. MARKET CHART - MONTHLY



BONDS SECTOR - WEEKLY



GBPUSD - WEEKLY



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