

Global market commentary

Week 37 – Week ending
13th September 2019



EQUITY	LEVEL VALUE	WTD % CHANGE	BONDS	LEVEL VALUE	WTD REAL ESTATE & % CHANGE	COMMODITIES	LEVEL VALUE	WTD % CHANGE
MSCI World Index	2,205.81 ▲	1.24%	Bar Glb Agg USD	506.67 ▼	-1.36%	Global Property	5,615.64 ▼	-0.70%
S&P 500	3,007.39 ▲	0.96%	Bar Glb High Yield USD	1370.79 ▲	0.08%	Gold	1,488.65 ▼	-1.20%
MSCI Eur xUK	151.74 ▲	0.90%	Bar Glb Credit USD	272.86 ▼	-1.55%	Oil	54.85 ▼	-2.95%
FTSE 100	7,367.46 ▲	1.17%	JPM EMBI Index USD	926.52 ▼	-1.45%	Commodities	403.83 ▼	-0.16%

Highlights

- The MSCI World Index climbed for a third successive week - its longest rally since July.
- The European Central Bank (ECB) revealed a new stimulus package. Interest rates were cut to a record low of -0.5% and quantitative easing is to restart at a rate of €20 billion worth of bonds per month from November.
- Relations between the US and China appeared to improve. US President Trump delayed impending tariffs on China from October 1st to October 15th.
- China later exempted US soybeans and pork from additional import tariffs and suspended tariffs on 16 smaller imports for one year.



Market summary

U.S.: The S&P 500 Index edged above 3,000 for the first time since late July after recording a 1.0% increase for the week. Economic data revealed inflation was in-line with consensus at 0.1% MoM but lowered to 1.7% YoY in August. Meanwhile, retail sales beat expectations at 0.4% MoM in an advance August reading. However, this was a slowdown from the upwardly-revised 0.8% growth recorded in July.

Continental Europe: The MSCI Europe ex UK index climbed for a fourth-successive week (0.9%). Alongside the rate cut and new bond-buying programme, the ECB revealed enhanced targeted longer-term refinancing operations (TLTROs), allowing banks to borrow at a -0.5% rate. ECB President Mario Draghi also warned that governments in the single bloc needed to act quickly in order to revive flagging growth in the eurozone economy. Domestically, eurozone industrial production disappointed at -0.4% MoM (-2.0% YoY) in July. However, in Germany, exports unexpectedly improved 0.7% MoM in July, leading to a widening of the trade surplus to €21.4 billion – the strongest since March.

UK: The FTSE 100 climbed 1.2% while sterling strengthened. Political uncertainty remained as Parliament was formally suspended. However, Scotland's highest civil court ruled Prime Minister Johnson's 24-day prorogation of parliament 'unlawful'. Johnson also lost another vote to hold a snap general election. In economic data, both industrial and manufacturing production improved with 0.1% MoM and 0.3% MoM growth in July respectively.

Japan: Japan's share market made very strong gains over the week, with the TOPIX closing the period up 4.7% - its strongest week since July 2016. Encouraging developments regarding US-China trade negotiations and a further decline in the yen relative to its US counterpart drove much of the performance. Limiting the gains was a downward revision to second-quarter growth; the local economy expanded 1.3% in the 12 months ended 30 June 2019. This followed a preliminary reading of 1.8%.

Asia Pacific: Asian share markets made strong gains for the week, with the MSCI Asia Pacific ex Japan Index returning 1.8%. Stocks benefited largely from optimism surrounding US-China trade talks. Stocks were higher in Hong Kong, South Korea, China, Indonesia and Taiwan but fell in Thailand. In Australia, stocks edged higher on the back of further gains

across the major banks and miners, positive Sino-US trade rhetoric and a jump in July household lending.

Emerging Markets (EM): The MSCI Emerging Index increased 1.9% this week. Chinese stocks were buoyed by positive trade signals between the US and China. In economic news, China's inflation rate remained steady at 2.8% YoY in August, despite estimates projecting a slight downtick to 2.6%. The strength behind the inflation data was mainly derived from higher food prices, notably from pork as a swine fever outbreak killed millions of hogs. Unsurprisingly, China proposed to cancel additional tariffs on pork imports from the US. In Mexico, the latest core inflation rate moderated to 0.2% MoM, whilst industrial production declined by -1.7% YoY in July. Moreover, Mexico was forced to inject \$5 billion into state-owned Pemex, in order to avoid a damaging debt downgrade for the struggling petroleum company – however this may not be enough. Elsewhere, Turkey's central bank decided to slash rates from 19.75% to 16.5% in order to stimulate economic growth. This comes after President Erdogan's continued calls for a rate cut over the last few weeks. Russia's final second quarter GDP growth rate was finalised at 0.9% YoY. Additionally, the European Union (EU) envoy to Russia urged for EU cooperation with Russia over 5G mobile communications and personal data protection, in order to counter China's growing influence in the region.

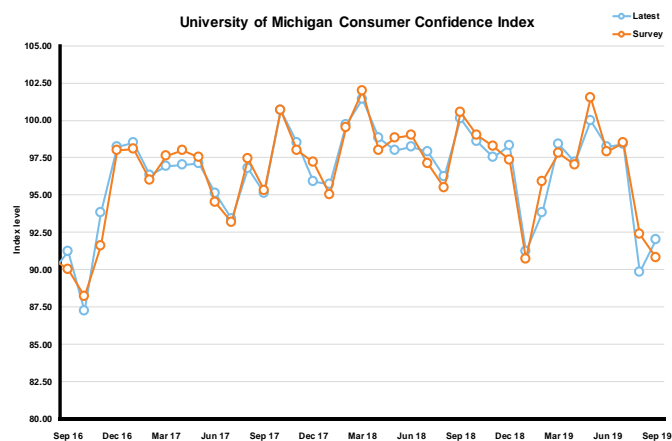
Fixed Income: The Bloomberg Barclays Global Aggregate index declined 1.4% this week. In the US, positive economic



Charts of the week

US Consumer Confidence Shows Slight Improvement

The University of Michigan consumer sentiment index unexpectedly improved in September. The indicator increased to a 92.0 preliminary reading from a 34-month low of 89.8.



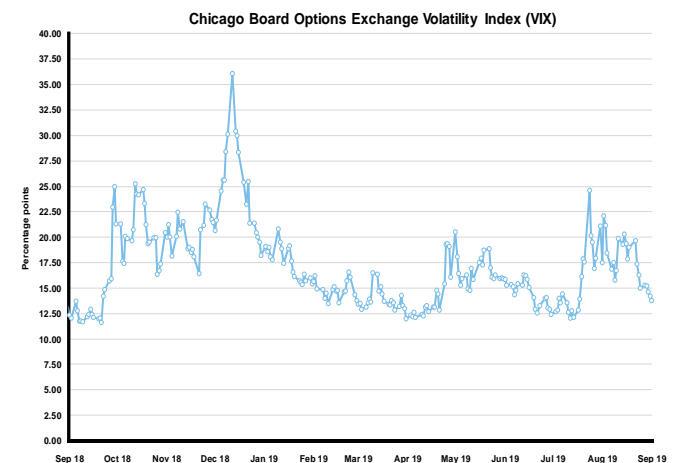
Data source: Bloomberg as at 13/09/19

data and trade signals pushed the benchmark 10-year Treasury yield up by 34 basis points (bps) to 1.90%. The Treasury also successfully extended its longer-dated debt supply across 3-, 10- and 30-years. Across the pond, the likelihood of a no-deal Brexit subsided, boosting the value of sterling. Meanwhile, the ECB cut its benchmark rates and renewed its bond-buying programme. The yield of the German 10-year bund rose by 19 bps to -0.45% whilst the UK 10-year gilt yield climbed by 25 bps to 0.76%. The Barclays Global Credit index was down by 1.6%, whilst the Barclays Global High Yield index rose 0.1%. New corporate issuance was heavy for a second week in a row, with some \$33 billion worth of deals coming through. One notable deal came from petroleum company Pemex, which brought \$7.5 billion to the markets. In EM debt, the JPM EMBI index declined 1.5%.

Commodities: Commodities, as measured by the S&P GSCI, edged 0.2% lower. Oil ended two weeks of gains as it slipped 3.0% to \$54.85 per barrel. This decrease came despite Saudi Arabia's new energy minister Prince Abdulaziz bin Salman hinting at further production cuts. Meanwhile, the International Energy Agency predicted excess supply in 2020 in its latest monthly report. Elsewhere, a strong end to the week on improved US-China relations saw copper gain 2.4%. Other industrial metals including aluminium (1.5%), nickel (0.4%) and zinc (2.5%) also benefitted. In contrast, gold slipped for a third successive week (-1.2%) as investor anxiety subsided.

S&P 500 Volatility Edges Lower

Volatility, as measured by the Chicago Options Exchange Volatility Index (VIX), continued to subside from recent highs. The measure ended at its lowest rate since late July (13.7).



Data source: Bloomberg as at 13/09/19

Market Data – Base Currencies

EQUITY	Value Fri, 13-Sep-19	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
MSCI World Index	2,205.81	1.24%	3.15%	17.09%	1.99%
S&P 500	3,007.39	0.96%	2.77%	19.97%	3.55%
Russell 1000	1,661.46	0.91%	2.65%	20.03%	3.10%
FTSE 100	7,367.46	1.17%	2.22%	9.50%	1.18%
MSCI Europe xUK	151.74	0.90%	3.06%	17.81%	5.29%
DAX	12,468.53	2.27%	4.43%	18.08%	3.43%
Topix	1,609.87	4.73%	6.48%	7.75%	-5.86%
MSCI APAC xJP	515.59	1.80%	4.23%	8.07%	0.35%
Hang Seng Index	27,352.69	2.48%	6.33%	5.83%	1.25%
MSCI Emerging	1,026.61	1.85%	4.30%	6.30%	0.88%
BONDS (10YR, Yield in %)	13-Sep-19	6-Sep-19	31-Aug-19	31-Dec-18	13-Sep-18
US	1.90	1.56	1.50	2.68	2.97
UK	0.76	0.51	0.48	1.28	1.50
Germany	-0.45	-0.64	-0.70	0.24	0.42
Japan	-0.15	-0.24	-0.27	0.00	0.11
FIXED INCOME	13-Sep-19	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
Barclays Glb Agg USD	506.67	-1.36%	-1.51%	5.80%	6.40%
Barclays Glb Agg Hedged USD	563.24	-1.30%	-1.55%	7.57%	9.22%
Barclays Glb High Yield USD	1,370.79	0.08%	0.77%	9.08%	6.16%
Barclays Glb Credit USD	272.86	-1.55%	-1.79%	9.79%	10.14%
Barclays Glb Agg Corporate USD	271.23	-1.53%	-1.64%	8.59%	7.45%
Barclays US Agg TR USD	2,192.49	-1.66%	-1.81%	7.13%	8.62%
Barclays US Corp High Yield USD	2,129.21	0.19%	0.46%	11.51%	6.76%
Barclays European Agg EUR	268.30	-1.06%	-1.43%	7.44%	8.00%
Barclays European Agg Corp EUR	259.56	-0.66%	-1.07%	6.46%	5.76%
Barclays Pan European High Yield EUR	404.42	0.35%	0.59%	9.99%	6.10%
JPM EMBI Index USD	926.52	-1.45%	-0.68%	12.73%	12.89%
JPM GBI-EM Index USD	302.38	0.74%	2.30%	9.29%	14.57%
COMMODITIES	13-Sep-19	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
Global Property	5,615.64	-0.70%	0.40%	18.26%	10.35%
Gold	1,488.65	-1.20%	-2.08%	16.08%	23.90%
West Texas Intermediate Oil	54.85	-2.95%	-0.45%	14.18%	-17.15%
Commodities	403.83	-0.16%	1.71%	7.88%	-13.02%
ECONOMIC & MARKET INDICATORS	13-Sep-19	6-Sep-19	31-Aug-19	31-Dec-18	13-Sep-18
BBA Libor USD 3M	2.14%	2.13%	2.14%	2.81%	2.33%
BBA Libor GBP 3M	0.78%	0.77%	0.76%	0.91%	0.80%
BBA Libor EUR 3M	-0.42%	-0.48%	-0.47%	-0.36%	-0.36%
Fed Policy Rate	2.25%	2.25%	2.25%	2.50%	2.00%
BOE Policy Rate	0.75%	0.75%	0.75%	0.75%	0.75%
ECB Policy Rates	0.00%	0.00%	0.00%	0.00%	0.00%

Notes: Unless otherwise stated, data sourced from Bloomberg as of 13th September 2019. Equity Index returns in base currency, except for APAC xJP (USD) and Emg Mkt (USD), percentage change in price levels as at 13th September 2019. Generic Government Bonds, 10Y yield in % shown. Fixed Income indices in USD, Total Return, and Hedged BBA Libor and policy rates in percent. Currently data shows spot exchange rates. Global Property shows FTSE EPRA/NA REIT Dev TR USD. Gold in \$/Oz. Oil WTI \$. Commodities show S&P GS Commodity Index, USD.

Equity Indices Fundamentals

Index	VALUE	EARNINGS PER SHARE (EPS)			PRICE-TO-EARNINGS (P/E)		RETURN-ON-EQUITY (ROE)	
	13.Sep.19	TRAILING 12M	EXPECTED CURRENT YEAR	LT GROWTH RATE	CURRENT	10Y AVERAGE	CURRENT	10Y AVERAGE
MSCI World	2,205.81	117.32	131.02	6.58%	18.80	16.68	12.59%	12.46%
S&P 500	3,007.39	152.73	164.85	6.72%	19.69	16.57	15.98%	13.92%
Russell 1000	1,661.46	81.63	89.08	6.96%	20.35	16.88	14.76%	13.44%
FTSE 100	7,367.46	410.85	565.86	6.53%	17.93	16.25	11.31%	14.18%
MSCI Europe xUK	151.74	7.97	9.88	5.90%	19.04	16.41	10.73%	12.09%
DAX	12,468.53	599.69	852.88	6.75%	20.79	16.17	9.16%	11.11%
Topix	1,609.87	114.12	122.73	-26.52%	14.11	18.23	8.32%	6.52%
MSCI APAC xJP	515.59	34.30	35.20	9.60%	15.03	14.09	10.55%	14.20%
Hang Seng	27,352.69	2,587.73	2,502.01	-2.96%	10.57	12.31	11.62%	15.30%
MSCI Emerging Markets	1,026.61	74.79	77.58	-35.70%	13.73	12.94	11.48%	14.90%

Notes: Unless otherwise stated, data sourced from Bloomberg as of 13th September 2019. Returns in base currency, except for APAC xJP (USD) and Emg Mkt (USD). Trailing 12-month Earnings per share (EPS): Market convention index earnings calculated by summing up the equity member EPS contributions for the last 12 months multiplied by the #shares and then divided by the index divisor sum. Expected current year EPS: index general estimated earnings for the current fiscal year based on the best estimates for each member. EPS LT growth rate: The estimated index long term growth rate of EPS is a weighted average of the underlying members estimated long term growth forecasts during the next business cycle, normally 3-5 years, computed by summing all members' growth EPS forecasts multiplied by their respective index weight. and implementation. Price-to-Earnings (P/E): Index estimated P/E Current Year, calculated as Last Price divided by estimated earnings full one year. Return-on-Equity: Index estimated measure for constituents' profitability revealing how much profit a company generates with the money shareholders have invested, in percentage.

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