

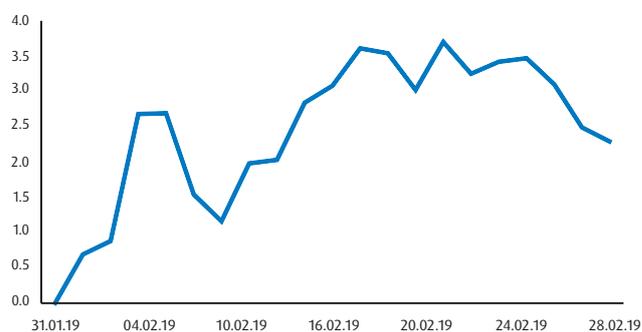
Market reviews – GBP

February 2019

UK

The FTSE All-Share Index rose 2.3% in sterling terms during February, outperforming the global average. With the UK's scheduled departure from the EU looming, Brexit was an especially dominant theme. While Prime Minister Theresa May appeared to make scant progress in renegotiating the terms of the EU withdrawal agreement, rising expectations that the UK would delay Brexit and potentially hold a second referendum provided support for UK assets as the month progressed. UK economic growth slowed to 0.2% in the fourth quarter, down from 0.6% in the prior quarter, as political uncertainty weighed on both business and consumer activity. In terms of sectors, software & computer services (13.9%) and industrial metals & mining (10.4%) outperformed, while oil equipment, services & distribution (-7.8%) and fixed line telecommunications (-7.2%) lagged.

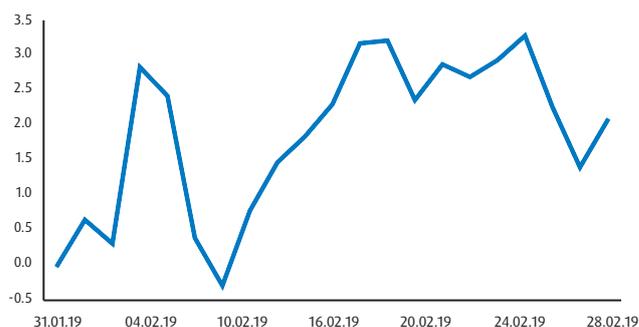
FTSE All-Share Total Return (TR) GBP (%)*



Europe

The FTSE World Europe ex-UK Index gained 2.1% in sterling terms over the month. European equities markets rallied alongside other global developed markets, despite no let-up in the disappointing economic news from the region. Eurozone economic data continued to be generally weak, with investor sentiment in the bloc as measured by the Sentix index hitting a four-year low in February. Data released during the month showed eurozone industrial production had contracted in December as exporters grappled with slowing global demand. Official figures indicated the eurozone economy had expanded by just 0.2% over the fourth quarter, unchanged from the prior quarter. The Ifo measure of German business confidence fell to its lowest level since 2014 in the month. With the Italian economy having recently slid into recession, the European Commission issued a warning over that country's debt levels and the spending plans of its coalition government.

FTSE World Europe ex UK TR GBP (%)*



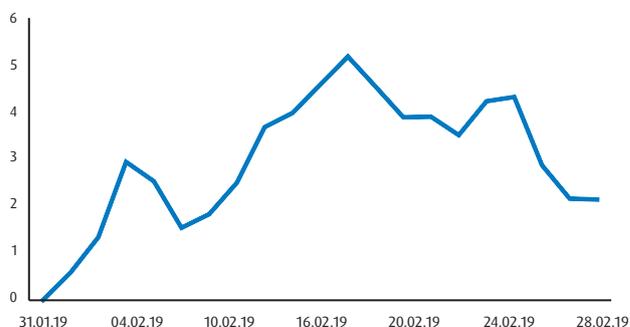
Past performance should not be seen as an indication of future performance.

The value of investments and income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

US

The FTSE All-World North America Index advanced 2.1% in sterling terms over February. Stocks found support from optimism that the US and China were close to resolving their ongoing trade dispute, as President Trump deferred a further rise in tariffs on Chinese imports and cited progress in bilateral trade negotiations. Equities also found support from a continuation of the Federal Reserve's (Fed) recent dovish tone. Data released during the month showed the US economy had slowed to an annualised growth rate of 2.6% in the fourth quarter, down from 3.4% in the prior quarter, with lower growth from consumer spending and a weaker housing market. Monthly US payrolls data pointed to continued strength in the labour market, while monthly readings from manufacturing and business investment gauges were more mixed.

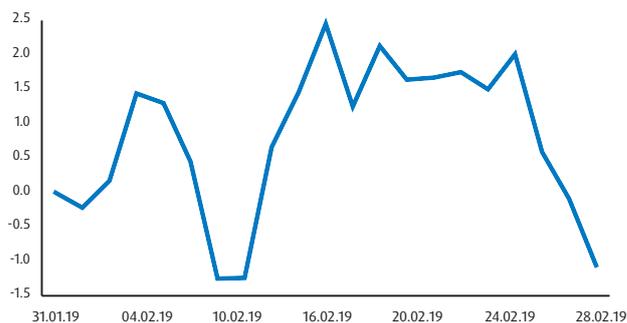
FTSE All-World North America TR GBP (%)*



Japan

The FTSE Japan Index returned -1.1% in sterling terms during February, as weakness in the yen versus the pound more than offset a positive return from Japanese equities in local terms. Official data suggested the Japanese economy grew by an annualised 1.4% over the fourth quarter, recovering from the spate of natural disasters that depressed output in the prior quarter. Monthly Japanese economic data released during February was mixed, with survey gauges pointing to an improvement in service sector activity in January despite weakness in manufacturing. Slowing demand from China led to a decline in Japanese industrial output for January, while Japanese exports contracted 8.4% year on year. Meanwhile, February marked the beginning of new trade terms between the EU and Japan, with the elimination of virtually all trade tariffs between their respective economies.

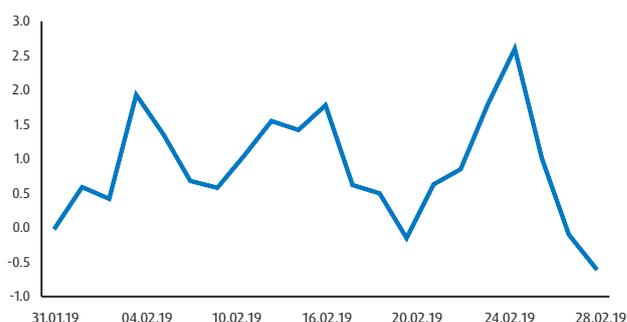
FTSE Japan TR GBP (%)*



Emerging Markets

The FTSE All-World Emerging Index returned -0.6% in sterling terms over February, underperforming the global average. Emerging market equities suffered from further signs of slowing global economic growth. South Africa (-6.0%) was the worst-performing market over the month as the rand was hit by worries over the domestic economy. Brazil (-5.4%) also lagged amid concern that the much-anticipated pension reforms of newly installed president Jair Bolsonaro could fail to win sufficient congressional support. Greece (10.2%) was the best-performing market on optimism surrounding reforms and the outlook for its economy. China (2.2%) was firmly in positive territory as it was buoyed by hopes of a successful outcome in the country's trade negotiations with the US, while President Trump deferred a further rise in tariffs on Chinese imports.

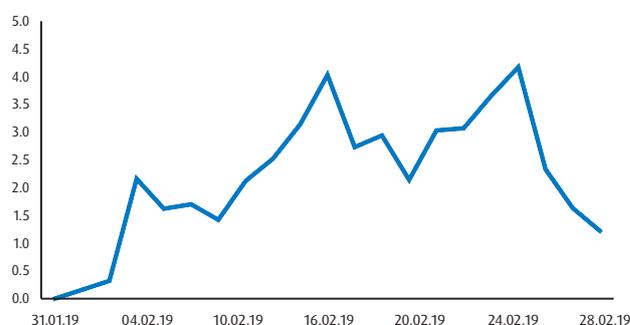
FTSE All-World Emerging TR GBP (%)*



Asia Pacific ex Japan

The FTSE World Asia Pacific ex Japan Index rose 1.2% in sterling terms during February. Asia Pacific stocks found support from hopes of an imminent resolution in the trade dispute between the US and China, as President Trump desisted from raising tariffs on Chinese imports further and cited progress in trade negotiations. Chinese economic data released in the month was mixed; while there was a strong rise in house prices and an improvement in exports for January, China's official survey gauge of manufacturing activity contracted for a third consecutive month in February. Hong Kong (4.4%) and Australia (2.3%) were the best-performing markets over the month, benefiting from the easing in trade tensions between the US and China. Korea (-3.1%) lost ground after a summit between President Trump and North Korea's Kim Jong-un ended without an agreement on denuclearisation.

FTSE World Asia Pacific ex Japan TR GBP (%)*



Government Bonds

Global government bond yields rose over February amid a general risk-on backdrop for global capital markets. US headline inflation fell to a 19-month low, owing to lower energy prices, at 1.6% in January versus 1.9% in the prior month. Core US inflation, which excludes food and energy, remained unchanged at 2.2%. Headline eurozone inflation eased to 1.4% in January versus 1.5% for December. Comments from Fed officials

continued to point to accommodative policy amid worries over slowing global economic growth. Minutes released from the Fed's January policy meeting signalled a willingness to end balance sheet reduction in the second half of 2019. Gilts sold off and sterling moved higher on the back of rising expectations that the UK would delay Brexit and potentially hold a second referendum.

Corporate Bonds

Corporate bonds generated positive returns over February, outperforming government bonds as risk markets generally advanced. Risk appetite was bolstered by hopes that the US and China were close to resolving their ongoing trade dispute, as President Trump deferred a further rise in tariffs on Chinese imports and cited progress in bilateral trade negotiations. Comments from Fed officials continued to

point to accommodative policy amid worries over slowing global economic growth. Minutes released from the Fed's January policy meeting signalled a willingness to end balance sheet reduction in the second half of 2019. While US monthly economic data was mixed, the eurozone continued its run of weak economic data. New issuance worth \$11.5bn from tobacco group Altria was met with strong demand from bond investors.

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Telephone calls may be recorded.

*Source: Lipper to 28 February 2019, total return. Indices rebased to zero at 31 January 2019.

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