

## FEDERAL RESERVE CHAIRMAN CONTINUES TO DEFY MARKET EXPECTATIONS

This week, while we await the results from local council elections, there was a chance to indulge in the sport of interest rate speculation; an old favourite from "the before times" when simple things like the strength of the global economy were all we had to worry about. New Federal Reserve Chairman Jerome Powel is proving to be a difficult opponent, with a knack of contradicting himself every few weeks and shaking off the pack who might have been coming close to guessing his next move. On Wednesday he wrongfooted a market that had become over confident in an upcoming rate cut and sent equities into a bit of a panic.

Elsewhere, the Bank of England also got in on the act, upgrading its 2019 growth forecasts and setting off a rate hike speculation frenzy of its own. Unlike in the US however, the shadow of Brexit dampens down the chance of a surprise. The uncertainty of if, when or how the UK might depart the EU makes any near-term rate hike unlikely; however, the bank looks to be signalling that its itching to tighten as soon as Brexit is out of the way.

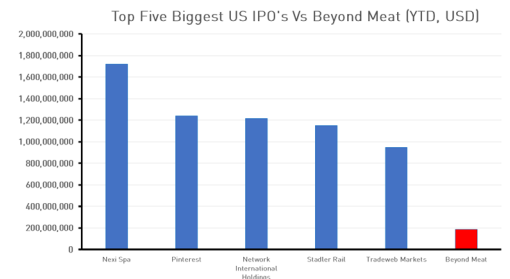
### THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-0.47%	-0.84%	Closed	-0.37%	+0.20%	+0.59%	+2.59%	-1.32%	-0.74%	+1.52%	+0.48%

### IPO: BEYOND MEAT SIZZLES ON DEBUT

Shares of Beyond Meat, the fast-growing vegan burger maker, proved immensely popular on its Nasdaq debut with the stock closing up 163%. The stock initially priced at \$25 before closing at \$66. Beyond Meat revenue grew \$55m last year but continues to remain loss making (\$30m per year). This IPO will help its plans to aggressively expand sales outside of America. Market cap of the company currently stands at roughly \$4bn.

Consumer food trends continue to evolve as plant-based diets grow popular. In turn the "fake meat" market is starting to become increasingly crowded. Rival Impossible Foods, whose vegan food mimic the composition of meat, has partnered with Burger King to trial a vegan Whopper burger before rolling it out across America. Sales of plant-based meats in the US grew by 42 per cent over three years. In the UK, the meat-free market is set to grow from £560m (2016) to £658m in 2021.

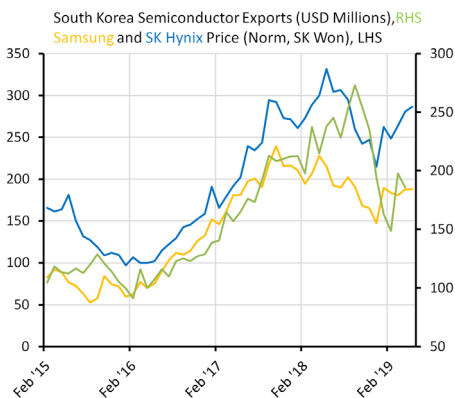


### GLOBAL: HEADWINDS CONTINUE TO BUFFET SEMICONDUCTOR STOCKS



It's been a terrible, albeit, unsurprising few days for chipmakers who reported weak quarterly earnings. Slowing global orders from data centres and a lack of innovative new phone products to tempt consumers squeezed company margins in Q4 2018. And last quarter's resurgence for semiconductor stocks, driven by optimism, proved short lived once results were announced. Samsung Electronics posted a 60 per cent drop in profits last quarter while operating profits of its smaller rival SK Hynix fell 69 per cent and Intel's expected revenue for this year is set to miss its target (\$1bn below \$71bn analysts' expectation).

As a result, countries such as Taiwan and South Korea which rely on exporting semiconductor products continue to struggle. This week Taiwan's year on year GDP for last quarter was 1.7 per cent in contrast to the same period last year where growth was 3.2 per cent and its main chipmaker (TSMC) net revenue figures were down 16 per cent when compared to the same quarter last year.



### US: FED EXERCISES CAUTION AND HOLDS INTEREST RATES



Earlier in the week the S&P 500 continued its strong rally driven by tech earnings even though one of the largest tech firms, Google, posted lacklustre earnings which at one-point wiped \$77bn off the company's market cap. However, market activity diminished as investor focus turned to another key driver of US and global markets, the quarterly Fed interest rate decision. On the eve of rate announcement, three out of five components of the factory PMI gauge (employment, new orders and manufacturing) all cooled as trade uncertainty continues to drive manufacturing headwinds.

This data alongside muted global growth had led investors to believe a rate cut was likely, instead the Fed decided to exercise caution and maintain rates, even under intense pressure from President Donald Trump to lower rates in a bid to prop up growth and stock prices. The meeting minutes which may provide a clearer idea on what was discussed in regard to inflation and other economic data will be published in June.

