

Gold hit a six-year high as nervous investors looked for alternatives to stock markets. The IMF cut global growth forecasts amid continuing trade tensions.

In any normal month these would have been perfectly normal introductions, but July was not a normal month. With Boris Johnson becoming UK Prime Minister and sweeping into 10 Downing Street on a wave of promises to deliver Brexit 'do or die' by 31st October – only a handful of months away.

And so to the other world news that made the headlines in July. And yes, gold did hit a six year high of \$1,450 (£1,190) an ounce as jittery investors looked for a safe haven. Gold is up by 6% over the last month and 12% in the last year as the US/China trade dispute, lower growth prospects for world trade and worries about inflation if the US Federal Reserve cut interest rates all added to investors' uncertainties.

Meanwhile, the International Monetary Fund (IMF) has trimmed its growth forecasts for the global economy for both this year and next year. Growth for this year is now forecast to be 3.2% – down from the 3.3% forecast in April – with growth for 2020 forecast to be 3.5%. Growth “remains subdued” said the IMF, with an “urgent need” to reduce trade and technology tensions. However, the IMF did raise its forecast for UK growth, from 1.2% to 1.3%.

July was a generally uninspiring month for world stock markets. Of the major markets we cover in this Commentary only four made gains, and none of those gains were significant. Let's look at what happened in more detail.

UK

It is hard to remember now with last week's heatwave, but June was a wet month and UK high street retailers duly reported a 'wash out.' Total sales decreased by 1.3% in the month, taking the yearly average down to a 20-year low according to research from the British Retail Consortium.

Bookmaker William Hill added to the gloom with plans to close 700 shops – putting 4,500 jobs at risk – and there are suggestions that up to 3,000 betting shops could close up and down the UK as gamblers increasingly move online and the reduction in stakes on fixed odds betting terminals starts to bite.

And it is not just betting shops. A report from Retail Economics predicted that internet shopping will overtake physical stores by 2028 as deliveries become faster, cheaper and more convenient. The trend will be driven by millennials and Generation Z, who will form 50% of the adult population in the next decade. Ten years from now our high streets will be very different places – if they exist at all.

Away from the high street there was good news in July though, as Amazon (who else?) announced plans to create up to 2,000 new jobs, taking its UK workforce up to nearly 30,000.

Japanese telecoms company NTT announced that it would be opening a global HQ in London for one of its subsidiaries and at the end of the month Hitachi Rail announced a £400m investment at its plant in Newton Aycliffe, County Durham.

Jaguar Land Rover also unveiled an investment of 'hundreds of millions' to build a range of electric vehicles at its Castle Bromwich plant, which will secure the jobs of 2,700 workers at the plant. But – as there was across Europe – there was also bad news for the UK car industry, with Nissan threatening to cut 10,000 jobs worldwide and the Society of Motor Manufacturers and Traders saying that overall investment in the industry has 'plummeted.'

From the roads to the rail. Boris Johnson has long been sceptical of HS2 and the chairman of the project has now written to the Department of Transport saying that it 'cannot be delivered within its £56bn budget and the cost could rise by £30bn. There is bound to be a review of the project but meanwhile the Prime Minister used a speech in Manchester to commit to a faster trans-Pennine rail link – something the North of England has long needed.

Let's end the new Prime Minister's first UK section with some more good news. 'Fintech' (financial technology) investment is booming in the UK and 2019 is set to be a record year, as funding reached £2.3bn in the first six months of the year. And household finances are looking up – June saw consumers saying they were optimistic about their personal finances for the first time this year.

Also looking up was the FTSE 100 index of leading shares, which closed July up 2% at 7,587. But if the stock market was going up, the pound was definitely going in the other direction with the financial markets anticipating a 'no deal' Brexit. The pound closed the month down 4% against the dollar at \$1.2218.

Brexit

To no-one's surprise, it was Boris. The result was, perhaps, closer than many had predicted but Boris Johnson comfortably beat Jeremy Hunt in the vote by Conservative members, kissed the Queen's hand and took over from Theresa May as Prime Minister. He duly appointed Sajid Javid as Chancellor, and we can expect a radical Budget when the new man in 11 Downing Street presents it. Whether that will be before or after 31st October remains to be seen, but one suspects that the speech – and the measures proposed – will be in stark contrast to anything Philip Hammond might have had in mind.

Boris Johnson has had meetings in Northern Ireland, having already visited Scotland and Wales. He has demanded that the Irish backstop – the most contentious part of Theresa May's Withdrawal Agreement – be scrapped and he's been met with the predictable response from Europe.

Are we now headed for a 'no deal' Brexit? Boris Johnson says he doesn't want that, but has ramped up preparations just in case, with Sajid Javid committing an extra £2.1bn and meetings of the relevant Cabinet committee taking place every day.

There remains, however, a significant number of MPs vehemently opposed to 'no deal' and the Government's majority is wafer-thin. It's unlikely, but you cannot rule out a General Election before 31st October and there will certainly be further attempts in parliament to thwart a 'no deal' Brexit. Meanwhile the Brexit Party and the hard-line Eurosceptics will be holding the Prime Minister's feet to the fire.

'May you live in interesting times' is supposedly a Chinese curse. If nothing else the next 90 days in UK politics will certainly be interesting.

Europe

There was plenty of economic news in Europe in July, but we should perhaps start in the corridors of power where, after much talking, negotiating and deal-making, German Defence Minister Ursula von der Leyen emerged as the only name on the ballot paper to replace Jean-Claude Juncker as European Commission chief.

Von der Leyen makes no secret of her wish to move to closer European integration and – while the headlines were all about how her appointment will impact Brexit – she could, in the long run, be very bad news for a country like Ireland, which has benefitted from a lower corporation tax rate. It was all change in the top jobs as Christine Lagarde left the IMF to take over as head of the European Central Bank.

Lower down the bankers' food chain it was very much all change at the beleaguered Deutsche Bank as it announced plans for 18,000 job losses. There are rumours that the bank's customers are pulling out \$1bn (£800m) a day amid worries about the bank's continuing solvency. There was also more gloom for the European car industry as car sales dropped by 7.9% in the European Union in June, the biggest fall since December and 130,000 registrations down on the same period last year.

More generally the German manufacturing recession worsened as the Purchasing Managers' Index for the sector dropped to 43.1 from 45.0, with any figure above 50 reflecting 'optimism.' This was the lowest level since 2012 as export orders showed their sharpest decline for a decade.

How did all this translate onto the European stock markets? The German DAX index was down 2% in July to 12,189 while the French stock market fell just 20 points – unchanged in percentage terms – to 5,519. In Greece the market rose 4% to 900 as the centre-right under Kyriakos Mitsotakis won the snap general election.

US

It was a good start to the month in the US, as figures for June confirmed that 224,000 jobs had been created against the expected 160,000. Normally this would have persuaded the Federal Reserve to keep interest rates on hold.

However, revised figures at the end of the month showed that the US economy had grown by less than expected in 2018, increasing by 2.5% and missing the President's target of 3%.

With Donald Trump continuing to describe the Fed's decision to keep interest rates on hold as a 'faulty thought process' something clearly had to give and it duly gave on the last day of the month, as the Fed reduced US interest rates for the first time since 2008. The rate was cut by 0.25% to a target range of 2-2.25% but this wasn't enough for the President. He scorned Federal Reserve chairman Jerome Powell on Twitter: 'As usual, Powell let us down.'

In company news, there was the now seemingly-monthly bad news for Facebook, which faced a \$5bn (£4.1bn) fine over privacy breaches, while US Treasury Secretary Steve Mnuchin criticised its plans for a crypto-currency, telling a press conference that it could be used by money launderers and terrorist financiers and was a national security issue.

Apple posted a small rise in sales for the third quarter of its year – although iPhone sales and profits

both dipped. Alphabet (Google's parent company) and Amazon posted more impressive figures, with both firms reporting sales increases of close to 20% for the latest quarter.

Meanwhile Elon Musk – of Tesla, SpaceX, the Boring Company and other future fame – brought us what may be his most revolutionary project yet. His company Neuralink revealed a brown and white rat with thousands of tiny electrodes implanted in its brain. It is, apparently, the first step towards linking the human brain to artificial intelligence, with the company betting that millions of people will eventually pay to become cybernetically enhanced.

If Wall Street was cybernetically enhanced in July it wasn't by much. The Dow Jones Index rose by just 1% in the month, closing at 26,864.

Far East

There was plenty of news in the Far East in July, but one story dominated all the others. The month began with Hong Kong leader Carrie Lam condemning the extreme use of violence as pro-democracy protesters stormed the parliament building.

The protests continued throughout the month, and it seems inevitable that they will go on into August, quite possibly with ever increasing violence. Beijing – through the Hong Kong legislature – is determined to stamp down on any show of dissent and when then-Foreign Secretary Jeremy Hunt tried to intervene he was told in no uncertain terms to show some respect.

Away from the protests figures confirmed that China's economy had grown at just 6.2% in the second quarter of the year. Obviously 'just' is a relative term, but this is the slowest rate of growth in China since the 1990s.

Unsurprisingly the continuing trade tensions with the US meant that both China's exports and imports were down when figures for June were reported, with exports down by 1.3% and imports down by 7.3% as domestic demand slowed. With China's economy now driving so much growth around the world – not just in the Far East – it was hardly surprising that the IMF reduced its projection for global growth this year.

In South Korea, Samsung announced that it was finally ready to sell its long-awaited folding phone after the April launch was delayed due to problems with the screen. The phone will go on sale in September in selected markets but – with the phone costing nearly \$2,000 (£1,630).

A week later, Samsung faced rather bigger problems than fixing the screen on a folding phone, as the world's biggest smartphone and memory chip manufacturer saw profits fall 56% in the three months to June. Samsung said results were in line with expectations as it blamed the continuing China/US trade war and a trade dispute between the South Korean and Japanese governments.

It was – perhaps unsurprisingly – a disappointing month on Far Eastern stock markets as three of the four major markets fell. China's Shanghai Composite Index was down 2% to 2,933 while the Hong Kong market was down by 3% to 27,778. South Korea suffered a sharper fall as the market dropped by 5% to end July at 2,025. The one bright spot was Japan's Nikkei Dow index, which was up 1% in the month to 21,522.

Emerging Markets

It was a relatively quiet month for our Emerging Markets section. Of the three markets we cover, Brazil was the only one to make any gains in the month with the stock market rising just 1% to 101,812. The Russian market slipped back by a similar amount, closing down 1% at 2,739. However, India suffered a sharper fall, sharing the month's wooden spoon with South Korea as it fell 5% to end July at 37,481.

And finally...

News from the French Civil Service: Auditors for the Provence-Alps-Riviera region published a report in July showing 30 'ghost' civil servants had been paid more than £22m to do nothing for the last three decades. Their jobs were phased out in 1989 but they continued to be paid, much to the embarrassment of the French President.

But, of course, we now know that the real way to riches is through your teenage son's bedroom. Worried that he's spending far too long in there playing video games? Nonsense, he's working on his future career. July saw 16 year old US teenager Kyle Giersdorf win \$3m (£2.46m) as he became world champion of the computer game Fortnite.

With two British teenagers also picking up major prizes, it's becoming an even bigger challenge for parents trying to convince their kids to wash the dishes.