

FOR RETAIL INVESTORS

# WEEKLY MARKET ROUND-UP

## STERLING JUMPS AS BREXIT FEARS EASE

WEEK ENDING 2 SEPTEMBER 2016



### GLOBAL STOCK, BOND MARKETS LIMP INTO SEPTEMBER

Company shares worldwide slipped for a third week in sterling terms, as measured by the MSCI All Country World Index, although much of this was due to gains by the pound following unexpectedly strong UK manufacturing data. A stronger domestic currency lowers the value of overseas assets. The declines came as investors await key central bank decisions this month (see below), the prospect of which also weighed on government bonds in developed markets. On the US S&P 500 stock market index, energy companies were among the biggest decliners amid a drop in the oil price.



### AN APPLE A DAY KEEPS THE TAX MAN AWAY

The European Commission (EC) ruled – after a three-year deliberation – that Apple, the US technology giant, has underpaid tax in Ireland and been the recipient of illegal state aid that has distorted European competition. Cue celebrations from the Irish government? Not at all; Dublin is appealing a decision that would see it receive some €13bn in unpaid taxes but set an unwelcome precedent on tax legislation. While Irish corporation tax is charged at 12.5%, the EC claims Apple – which employs 5,500 workers in Ireland – paid 0.005% in 2014.



### GLUM FACES ACROSS EUROPE

While business confidence continues to hold up well in the UK following June's vote to leave the European Union, the same can't be said for the rest of Europe. Economic and business confidence in the eurozone fell sharply in August, according to surveys, with confidence in the industrial sector hardest hit as manufacturers faced the worst contraction in current orders since the financial crisis. By contrast, strength in the services sector helped boost the UK's economic confidence, confounding fears of an immediate post-Brexit vote slowdown.



### FED 'WILL THEY, WON'T THEY' GUESSING GAME RESUMES

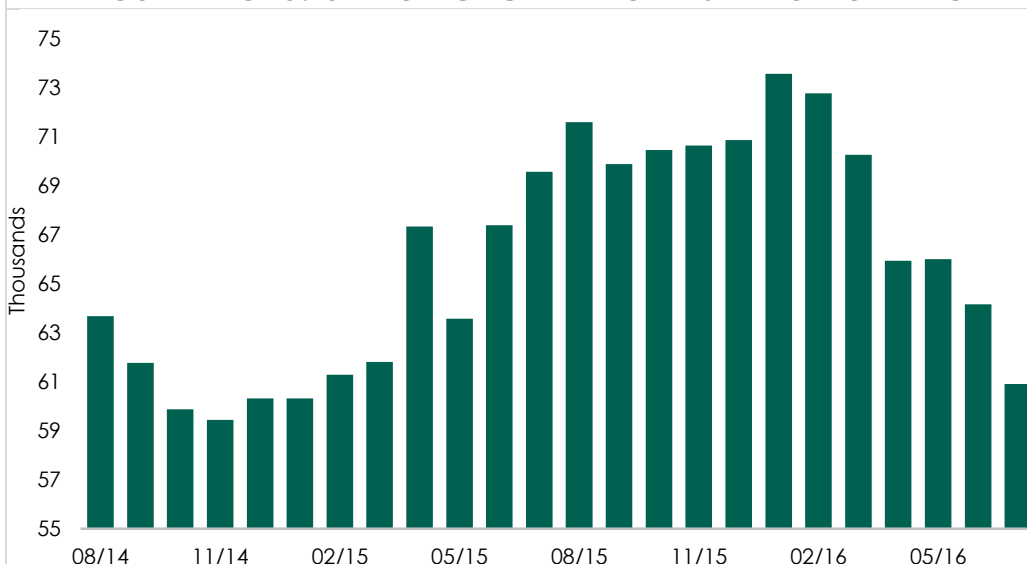
Investors have been factoring in higher odds of an increase in US interest rates this year, following comments by Federal Reserve (Fed) Chair Janet Yellen late last month. Stanley Fischer, Fed vice chair, said the remarks were consistent with the possibility of two rate hikes in 2016, while stressing that any action would depend upon economic data. August's US labour market figures will be crucial to the Fed at its meeting in September, which may be the last time it can raise rates before the US election in November.



### FRENCH PRESIDENTIAL HOPEFULS RAMP UP THE RHETORIC

In April next year, the French electorate will choose its new president. While the usual suspects are in the frame for the top job – President Francois Hollande, an increasingly right-leaning Nicolas Sarkozy, and Alain Juppé, one-time prime minister in the 1990s – last week another potential candidate emerged. Emmanuel Macron, a 38-year old former investment banker, resigned as the Minister of Economy to clear the way for a rumoured presidential bid. While Juppé leads the polls at present, the race looks wide open.

## FIRM FOUNDATIONS? UK MORTGAGE APPROVALS HIT 18-MONTH LOW



The number of mortgages approved in the UK fell to its lowest level in July since January 2015, according to Bank of England data, adding fuel to the perceived fire that the UK's Brexit vote will damage the property market. However, Nationwide data released a day later revealed that UK house prices had risen a stronger-than-expected 5.6% in August – the best month since the buy-to-let dash in March that preceded April's stamp duty changes.

Commentators believe the ongoing resilience of the market is largely attributable to limited supply.

## MARKET DATA – % CHANGE IN WEEK ENDING 02/09/2016

EQUITIES	LAST VALUE	
FTSE All-Share (UK)	3,720	-0.20%
MSCI All Country World	417	-1.12%
S&P 500 (US)	2,171	-0.78%
Stoxx 600 (Europe)	346	-0.55%
Topix (Japan)	1,340	+1.04%
MSCI Asia ex Japan	542	-1.15%
MSCI Emerging Markets	891	-1.99%
FIXED INCOME		
Global developed government bonds index (price return)	118.76	-1.21%
10-year Gilt yield	0.70%	+0.13%
10-year US Treasury yield	1.59%	-0.04%
10-year Bund yield	-0.06%	+0.01%
10-year Japanese government bond yield	-0.03%	+0.04%
COMMODITIES		
Gold (US\$, per troy ounce)	1,311	-0.76%
Brent Crude (US\$, per barrel)	45.96	-7.93%
CURRENCIES		
GBP/USD	1.33	+0.91%
GBP/EUR	1.19	+1.03%

All data sourced from Bloomberg as at 12:02pm, 2 September 2016. \*In GBP terms. \*\*Yields move inversely to prices.

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