

FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

INVESTORS WAIT TO SEE WHAT AUTUMN YIELDS

WEEK ENDING 16 SEPTEMBER 2016



CELEBRATIONS AND CONTEMPLATION

While stock markets in East Asia closed at the end of last week for the traditional Mid-Autumn, or Moon Festival celebrations, there were no such celestial distractions for investors awaiting the outcome of forthcoming central bank meetings in the US and Japan. Stock markets generally drifted lower, mirroring the growing belief among policymakers that using increasing amounts of monetary stimulus to boost growth might not be as effective as first thought. This brought the summer rally in bonds to an abrupt halt, causing many yields on longer maturity bonds to rise and prices to fall (see overleaf).



CHINA DATA LIFTS SPIRITS

Better economic data from China for August helped lift investor spirits last week, adding to hopes that the growth of the world's second largest economy is stabilising. Month-on-month numbers for industrial production, retail sales and investment all exceeded expectations, with analysts confident that growth for the full year will likely be in the range of 6.5% - 7%. Despite the brighter outlook, however, many would like to see China undergo more material economic reforms, particularly in its burgeoning state sector.



TRUMP GAINS ON CLINTON IN RACE FOR THE WHITE HOUSE

While the rollercoaster US presidential elections have, so far, had only a muted effect on stock markets, there was no doubt how bookmakers reacted to news of Hilary Clinton's recent illness. Bookies reduced the odds of the Democratic candidate winning, after it emerged she had been diagnosed with pneumonia. The gap between Clinton and Republican candidate Donald Trump has also been narrowing in opinion polls. The race still seems up for grabs: at this stage in 2004 John Kerry led George W. Bush by a similar margin.



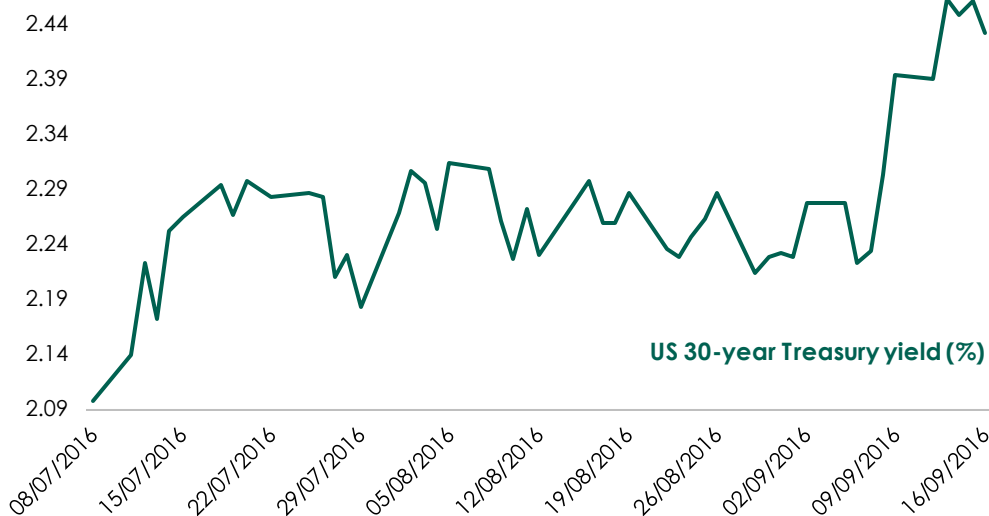
SAMSUNG SHARES SOFTEN ON SMARTPHONE SCARE

Shares in Korean tech giant Samsung Electronics slumped last week as it announced a recall of its Galaxy Note 7 smartphones. According to reports, a small number of the phones can overheat when charging, and may even explode or catch fire. Samsung has offered all customers a replacement device, and has also issued a software update that limits how the batteries recharge. Samsung had been banking on the much-heralded Galaxy Note 7 to challenge rival Apple's iPhone 7, which went on sale last Friday.



ARE YOU BEING SERVED? NOT PROFITABLY ENOUGH, UK RETAILERS SAY

Far from basking in the autumn heatwave, UK retailers have been having a torrid time of late. John Lewis reported a near 15% drop in profits in the first half of the year, blaming shifts in consumer spending and competitive pricing. Next, the UK's second-biggest clothing retailer, also warned of troubles, saying that the current quarter will be its toughest this year. And AB Foods, owner of budget fashion chain, Primark, reported weakness in its sales. Shares in the latter two companies dropped this week (John Lewis is owned by its employees).

BONDS: SHAKEN AND STIRRED

Long dated developed-market government bonds weakened amid continued investor disappointment that the European Central Bank refrained from extending the scope of its asset purchase plan. The declines also followed reports that the Bank of Japan plans to try to force up the yields on the country's long-term debt, while lowering those on shorter-dated bonds (yields move inversely to prices). Low yields on long-term government debt hurt banks' profitability, as they lower the rates at which lenders can charge for loans over similar periods.

MARKET DATA – % CHANGE IN WEEK ENDING 16/09/2016

| EQUITIES | LAST VALUE | |
|--|-------------------|--------|
| FTSE All-Share (UK) | 3671.13 | -0.81% |
| MSCI All Country World | 413.20 | -0.02% |
| S&P 500 (US) | 2147.26 | +1.33% |
| Stoxx 600 (Europe) | 337.94 | -1.40% |
| Topix (Japan) | 1311.50 | -0.76% |
| MSCI Asia ex Japan | 542.71 | -2.16% |
| MSCI Emerging Markets | 888.98 | -1.86% |
| FIXED INCOME | | |
| Global developed government bonds index (price return) | 118.14 | -0.05% |
| 10-year Gilt yield | 0.85 | -0.01% |
| 10-year US Treasury yield | 1.66 | -0.01% |
| 10-year Bund yield | -0.02 | -0.03% |
| 10-year Japanese government bond yield | -0.04 | -0.02% |
| COMMODITIES | | |
| Gold (US\$, per troy ounce) | 1312.89 | -1.13% |
| Brent Crude (US\$, per barrel) | 45.76 | -4.69% |
| CURRENCIES | | |
| GBP/USD | 1.32 | -0.75% |
| GBP/EUR | 1.17 | -0.69% |

All data sourced from Bloomberg as at 12:05pm, 16 September 2016. *In GBP terms. **Yields move inversely to prices.

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