

FOR RETAIL INVESTORS

# WEEKLY MARKET ROUND-UP

## STERLING SINKS WHILE TESCO SOARS

WEEK ENDING 7 OCTOBER 2016



### POUND FALLS ON BREXIT FEARS AS MAY TO TRIGGER BREXIT BY MARCH

International company shares were little changed in local currency terms, but much higher in pounds sterling. The pound fell sharply after Theresa May, the prime minister, said the formal Brexit process would be triggered by the end of March 2017. An especially rapid short-term dip or 'flash crash' in sterling on Asian currency markets on Thursday night was blamed variously on computer trading systems, and French President Francois Hollande's tough stance on Brexit negotiations. UK company shares, notably those of exporters, which would be helped by a weaker currency, rallied. UK government bonds fell, on the fear that the government would need to borrow more.



### A UK SHIFT FROM MONETARY TO FISCAL STIMULUS?

In a change of tack that could herald a wider developed world policy shift, UK Chancellor of the Exchequer Philip Hammond announced the UK government's intention to place greater focus on fiscal stimulus and less on monetary stimulus as it strives to boost the UK economy. Hammond, barely three months into his tenure, has suggested he will increase spending on infrastructure and take advantage of ultra-low interest rates to borrow more. Prime Minister Theresa May has criticised the effects of loose monetary policy on the distribution of wealth.



### ACTIVIST CALLS FOR SHAKEUP AT SAMSUNG

Shares in South Korean technology giant Samsung Electronics jumped 5%, reaching a new high, last Thursday, after US activist hedge fund Elliott Management called for changes designed to add value for shareholders. Elliott argues the company should be streamlined, pay out a special dividend, and list on Nasdaq, a US-based stock exchange for technology companies. It also wants three new independent directors on family-run Samsung's board. Elliott owns less than 1% of Samsung shares, so will need the support of other shareholders to achieve the changes it wants.



### STEPPING IT UP – EVERY LITTLE HELPS...

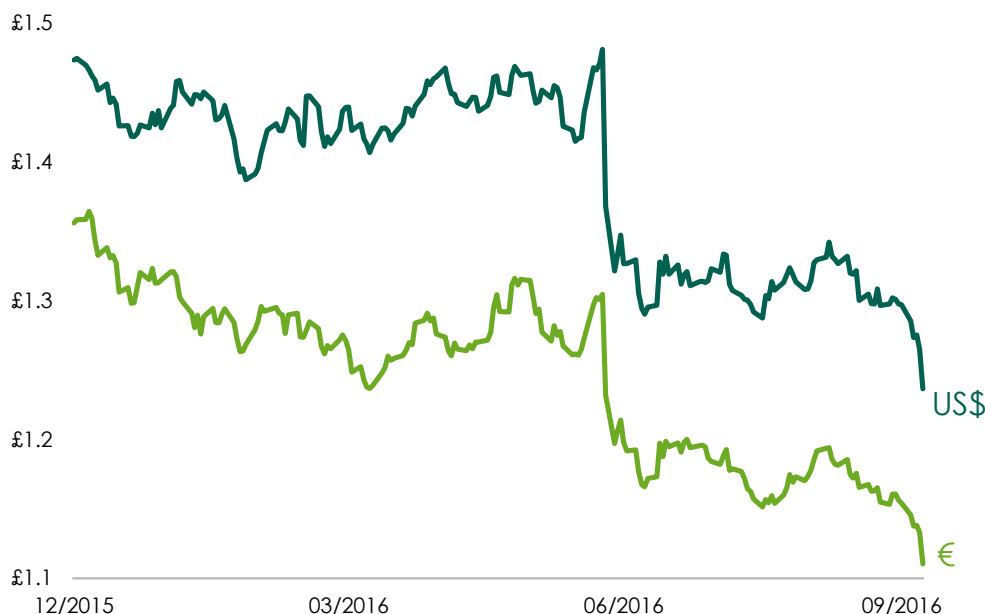
Chief executive officer, Dave Lewis, parachuted in to turn around Tesco's ailing fortunes, dished up a market-pleasing interim set of results last Wednesday, comfortably beating analysts' expectations. Tesco shares soared by over 11% as the supermarket's slashing of prices and improved product range helped to make the customer's shopping experience more affable. But Lewis isn't complacent, calling for employees to 'step it up' with regards to ongoing improvements. Investors will be hoping that comment wasn't directed at the company's ever-widening pension deficit, which now stands at an eye-watering £5.9 billion.



### INDIA HAILS MOONSOON RAINS

So far, so good for newly appointed governor of the Reserve Bank of India, Urjit Patel. Taking advantage of a lower inflation figure, Patel cut India's key interest rate from 6.5% to 6.25% last week. The lower price of food, a key component of the inflation rate, is the result of a bumper harvest, courtesy of this year's favourable monsoon rains. The interest rate cut marks the start of a new era; from now on rate-setting will be decided by a six-member committee rather than the governor himself.

## PLUMBING THE DEPTHS: STERLING HITS NEW LOWS



The British pound's fall continues apace. Now neck and neck with the Argentine peso for the dubious honour of 'worst-performing currency of 2016', last week saw sterling fall to fresh multi-year lows versus both the US dollar and euro.

Indeed, the last time the pound was this low against the dollar – in early 1985 – Ronald Reagan was enjoying the fifth year of his US presidency, Microsoft was gearing up to release Windows 1.0, and the most decorated Olympian of all time, Michael Phelps, was a few months shy of his first appearance in the world.

## MARKET DATA – % CHANGE IN WEEK ENDING 07/10/2016

	LAST VALUE	% CHANGE
<b>EQUITIES</b>		
FTSE All-Share (UK)	3,828	+1.98%*
MSCI All Country World	418	+2.40%*
S&P 500 (US)	2,161	+2.28%*
Stoxx 600 (Europe)	340	+3.23%*
Topix (Japan)	1,351	+4.76%*
MSCI Asia ex Japan	560	+4.23%*
MSCI Emerging Markets	917	+4.15%*
<b>FIXED INCOME</b>		
Global developed government bonds index (price return)	117.18	-1.86%
10-year Gilt yield	0.96%	+0.21%**
10-year US Treasury yield	1.74%	+0.15%**
10-year Bund yield	0.02%	+0.14%**
10-year Japanese government bond yield	-0.06%	+0.03%**
<b>COMMODITIES</b>		
Gold (US\$, per troy ounce)	1,257	-4.44%
Brent Crude (US\$, per barrel)	52.21	+6.42%
<b>CURRENCIES</b>		
GBP/USD	1.24	-4.66%
GBP/EUR	1.11	-3.85%

All data sourced from Bloomberg as at 12:00pm, 7 October 2016. \*In GBP terms. \*\*Yields move inversely to prices.

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