

FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

MARKETS MUDDLE THROUGH

WEEK ENDING 14 OCTOBER 2016

| 銘柄 | MS&AD | ソニー | 第一生命 |
|--------|--------|--------|--------|
| 2675.0 | 2390.0 | 1775 | 1629.0 |
| -39.0 | -51.0 | -3 | -21.0 |
| 2645.0 | 2380.5 | 1782 | 1625.0 |
| 2692.5 | 2418.5 | 1785 | 1636.0 |
| 2635.0 | 2376.0 | 1782 | 1623.0 |
| 京成 | JR東日本 | JR西日本 | JR東海 |
| 1077 | 8106 | 4874.5 | 1478 |
| -9 | -163 | -108 | -9 |
| 1076 | 8100 | 4860.0 | 1452 |
| 1092 | 8115 | 4884.0 | 1480 |

STOCK MARKETS TREAD WATER AMID DOLLAR STRENGTH, CHINA CONCERNS

Global stock markets were little changed this week, as measured by the MSCI All Country World index, as the US dollar rose to its strongest level against major rivals since March and investors fretted over weaker-than-expected economic data from China. The prices of US government bonds weakened (yields rose), as investors worried about the prospect of rising US interest rates (see overleaf). Also weighing on investor sentiment were concerns that the UK might be heading for a 'hard' Brexit.



STERLING CONTINUES TO BREAK RECORDS...

Having spent the last few months losing ground against all major currencies, last week saw sterling fall to a 168-year low (yes, one hundred and sixty-eight) when measured against a basket of its trading peers. In fact, records don't go any further back than that. Now sitting at US\$1.22, the pound has fallen by almost 18% since the UK's late-June vote to leave the EU. However, the weaker currency has provided a boost to the FTSE 100, which hit a record high on Tuesday – around 75% of FTSE 100 company earnings come from overseas.



NO SMOKE WITHOUT FIRE

Shares in Samsung Electronics fell sharply last week as the recall of its ill-fated Samsung Note 7 smartphone led to a profits warning, sending the shares down around 10%. Analysts are worried that concerns surrounding the current crisis will go beyond just the recall costs and affect the brand's overall reputation. No such concerns for US rival Apple, whose shares reached a 10-month high last week, on the belief that the new iPhone 7 model will be the prime beneficiary of the (literally) burnt out Note 7.



THE OIL PRICE JUMPS TO 2016 HIGH

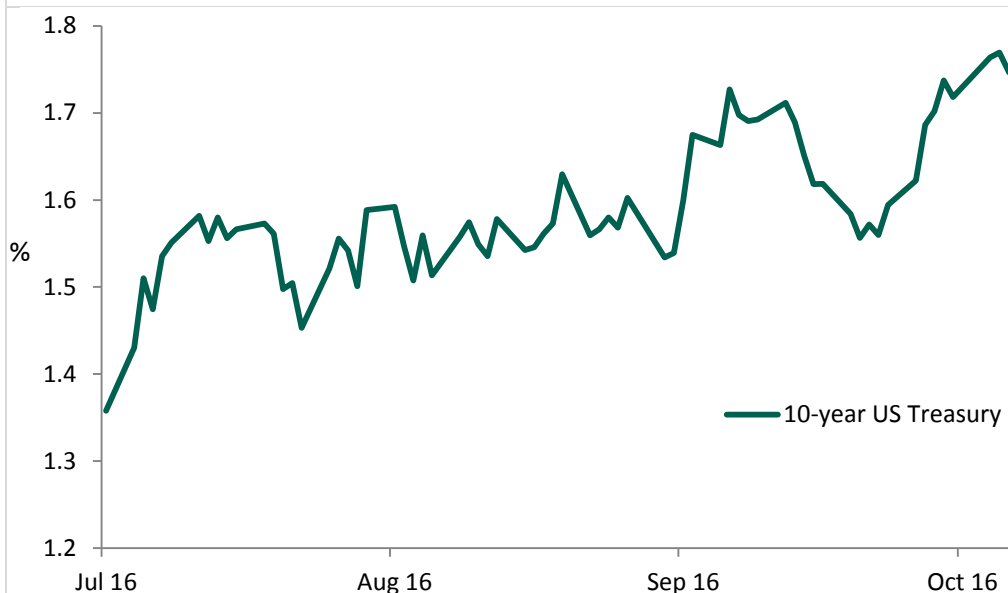
It has been a topsy-turvy year for the oil price but last week saw it jump to its highest level since August 2015. Having fallen to a multi-year low in January this year, of US\$27, the price of a barrel of the black stuff rose as high as US\$53 on Monday. The impetus for the latest price jump came from President Vladimir Putin after the Russian leader made comments suggesting Russian oil producers could participate in an OPEC production cut. OPEC's proposed plan to cap its members' production has already prompted the oil price to rise by around 15% since late September.



THAILAND GOES INTO MOURNING

The Thai government announced a year-long official mourning period after the death of King Bhumibol Adulyadej following a long illness. He was 88 and the world's longest-reigning monarch. With Crown Prince Maha Vajiralongkorn named as his successor, the Thai equity market reacted positively to the news of a smooth handover of power – the king's poor health had weighed on market sentiment in recent times. Meanwhile, the Thai baht rose for the first time in over a week; it has appreciated by around 2.1% versus the US dollar this year.

GLOBAL BONDS: THE QE IS NOT ENOUGH



The prices of developed-market government bonds have struggled of late, with yields rising from record lows (yields move inversely to prices). The move follows investor expectations that governments might issue more debt to take over the task of stimulating the economy from central banks, which have been printing money to do so under quantitative easing (QE).

The weakness also coincides with a rally in the oil price, which will generate inflation – the enemy of bonds, as it eats into the value of their fixed returns.

MARKET DATA – % CHANGE IN WEEK ENDING 14/10/2016

| EQUITIES | LAST VALUE | % CHANGE |
|--|------------|----------|
| FTSE All-Share (UK) | 3,823 | -0.04%* |
| MSCI All Country World | 410 | +0.23%* |
| S&P 500 (US) | 2,133 | +0.73%* |
| Stoxx 600 (Europe) | 341 | +0.89%* |
| Topix (Japan) | 1,347 | +0.34%* |
| MSCI Asia ex Japan | 541 | -1.23%* |
| MSCI Emerging Markets | 891 | -0.95%* |
| FIXED INCOME | | |
| Global developed government bonds index (price return) | 116.49 | -0.65% |
| 10-year Gilt yield | 1.09% | +0.12%** |
| 10-year US Treasury yield | 1.77% | +0.06%** |
| 10-year Bund yield | 0.05% | +0.03%** |
| 10-year Japanese government bond yield | -0.05% | +0.01%** |
| COMMODITIES | | |
| Gold (US\$, per troy ounce) | 1,254 | -0.21% |
| Brent Crude (US\$, per barrel) | 52.41 | +0.92% |
| CURRENCIES | | |
| GBP/USD | 1.22 | -1.56% |
| GBP/EUR | 1.11 | +0.03% |

All data sourced from Bloomberg as at 12:10pm, 14 October 2016. *In GBP terms. **Yields move inversely to prices.

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