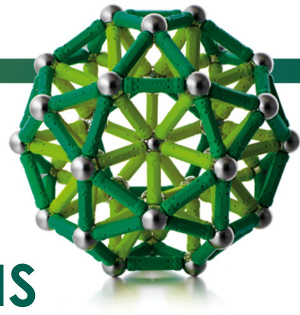


FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

ECB HUMS AND HAWS BUT CHINA SOOTHS

WEEK ENDING 21 OCTOBER 2016

MARKETS EDGE FORWARDS AS DRAGHI PLAYS FOR TIME

Company shares mostly crept higher last week after reassuring economic data from China (see below). The FTSE All Share index was slightly higher, but Japanese company shares did better. Mario Draghi, president of the European Central Bank, neither promised an extension of its Quantitative Easing program, currently scheduled to end in March 2017, nor indicated that it would be tapered. But weakness in the euro indicated market expectations that he could extend it in due course. World bond markets stabilised, after weakness in UK gilts earlier in the month.

CHINESE ECONOMY STAYS ON TRACK … FOR NOW

Data released last week showed that the Chinese economy continues to grow in line with its government's full-year GDP target of at least 6.5%: the world's second-largest economy expanded by 6.7% in the third quarter of 2016. However, this latest data point will do little to hush naysayers who question the sustainability of such a high rate of growth given problems in China's overheated property sector, an area that has historically been an engine for the wider economy. The International Monetary Fund expects the Chinese economy to grow by 6.6% this year but slow somewhat to 6.2% in 2017.

NETFLIX ENJOYS NARCOS RALLY

Shares in California-based online streaming site Netflix jumped by 19% on Tuesday on news that it had added more subscribers than expected during the third quarter. It was the largest one-day share-price gain in more than three years. Netflix prides itself on streaming original content and is behind the hit shows including *House of Cards*, *Making a Murderer*, and *Narcos*, the story of Colombian drug baron Pablo Escobar. The company says it will be releasing 1,000 hours of original content in 2017, compared with 600 hours this year. Netflix has around 87 million subscribers worldwide.

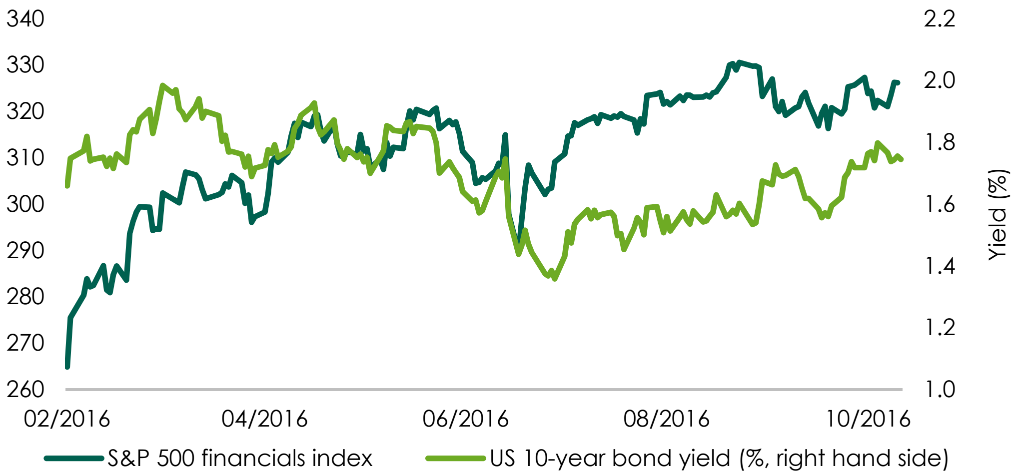
MAY BACKS HAMMOND TO THE GILT

Just as Theresa May's spokeswoman was expressing the prime minister's 'full confidence' in Chancellor of the Exchequer Philip Hammond, investor doubts over UK government debt – for whose sale he is responsible – were growing. Last Monday, prices dropped as the yield on 10-year gilts hit its highest level since the Brexit vote (yields move inversely to prices), amid concerns about rising inflation and weakness in sterling. The market soon stabilised, though, shortly before the prime minister indicated she would back Hammond to the hilt – or gilt, rather.

FRANCE'S HOLLANDE GETS HIS EXCUSES IN EARLY

François Hollande, the French president, is pressing UK Prime Minister Theresa May to bring forward the date by which she will trigger Article 50, the starting gun for the UK's divorce proceedings from the European Union. Hollande is worried that a March 2017 kick-off will overshadow campaigning ahead of the French elections in April. Arguably, though, Hollande is more worried about his own re-election bid. He is lagging former President Nicolas Sarkozy and far-right leader Marine Le Pen in the polls, and faces a stuttering French economy and unemployment around the 10% mark: perhaps May's Article 50 timing is the least of his worries.

SHARES IN US BANKS IMPROVE AS BOND YIELDS FIRM



Source: Bloomberg, as at 21 October 2016.

At last… some good news from the US banking sector. Recent financial results from the likes of Morgan Stanley, Bank of America and Goldman Sachs all show better than expected profits. Much of the uplift has come from their bond trading divisions, which have benefited from greater market activity since the turn of the year. Rising bond yields (falling bond prices) also helped: they are generally good news for banks as they result in better banking margins.

MARKET DATA – % CHANGE IN WEEK ENDING 21 OCTOBER 2016

EQUITIES	LAST VALUE	% CHANGE
FTSE All-Share (UK)	3,825	+0.50%*
MSCI All Country World	414	+0.22%*
S&P 500 (US)	2,141	-0.12%*
Stoxx 600 (Europe)	345	+0.47%*
Topix (Japan)	1,365	+1.59%*
MSCI Asia ex Japan	551	+0.77%*
MSCI Emerging Markets	913	+1.28%*
FIXED INCOME		
Global developed government bonds index (price return)	116	+0.14%
10-year Gilt yield	1.06%	-0.04%**
10-year US Treasury yield	1.75%	-0.05%**
10-year Bund yield	0.01%	-0.05%**
10-year Japanese government bond yield	-0.05%	unchanged
COMMODITIES		
Gold (US$, per troy ounce)	1,266	+1.20%
Brent Crude (US$, per barrel)	52	-0.46%
CURRENCIES		
GBP/USD	1.22	+0.16%
GBP/EUR	1.12	+0.91%

Source: All data sourced from Bloomberg as at 12pm, 21 Oct 2016. *In GBP terms. **Yields move inversely to prices.

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