

FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

BOND RALLY FALTERS

WEEK ENDING 28 OCTOBER 2016



GOVERNMENT BONDS WEAKEN, UK STOCK MARKET EDGES LOWER

Developed market government bonds weakened last week, trimming strong gains notched up earlier this year, as yields rose further from the record low levels to which they dropped in the summer (yields move inversely to prices). The move came amid growing investor expectations that inflation will rise and central banks may begin to pare down their stimulus measures as the global economy strengthens. The UK stock market inched lower, meanwhile, amid declines in company shares valued for dividend payouts, which have performed well for much of this year given the record low rates offered by bonds.



APPLE FALLS, BITTEN BY OWN SUCCESS

Many who desire (and can afford) an iPhone already have one. Apple, the US technology giant, reported lower annual revenues, the first time they have fallen since 2001. The fall has been blamed on saturation in the smartphone market; last year, a record for Apple, set a high hurdle. It may not get any easier. Although rival Samsung has been hit by a fault that caused some of its new smartphones to catch fire, last week Google launched its first smartphone, the Pixel. Shares in Apple, the most valuable company in the world, have slide 4% over the past year.



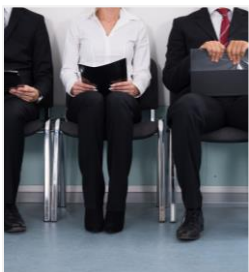
UK MOTORS ALONG AS NISSAN PLEDGES TO STAY

Despite the UK's voting on 23 June to split from the European Union, its economy is chugging along at about the same modest clip as before, according to an initial estimate from the Office for National Statistics. Growth was 0.5% from July to September, beating analysts' expectations though slightly shy of the previous quarter's 0.7%. More good news came with the announcement that Nissan, whose chief executive Carlos Ghosn met with Prime Minister Theresa May recently, will make two new car models at its plant in Sunderland, securing 7,000 jobs.



BANKS TURN A PROFIT BUT BRACE FOR CLAIMS AND FINES

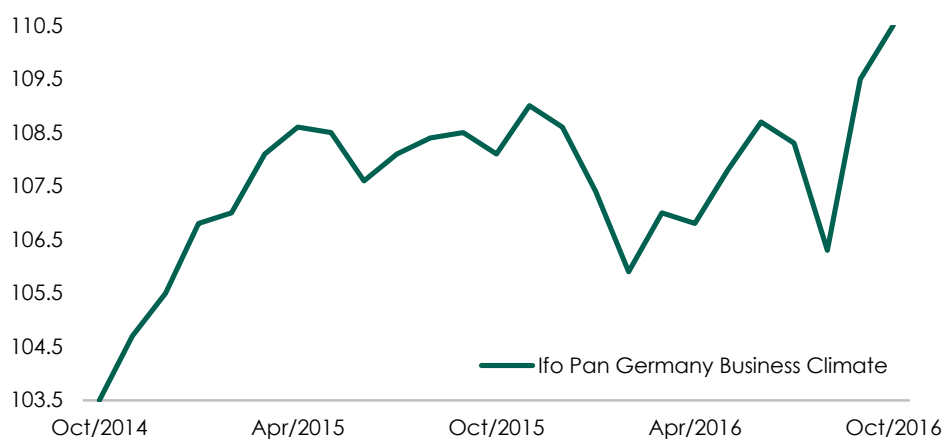
Lloyds Banking Group and Barclays reported profits but still had to set aside yet further large sums against claims for mis-selling payment protection insurance (PPI). To date, Lloyds has held back £17 billion and Barclays £8.4 billion for PPI claims. Meanwhile, Deutsche Bank, which faces a potential US\$14 billion (£11.5 billion) fine from the US Department of Justice over alleged mis-selling of mortgage-backed securities in the run up to the financial crisis of 2008, turned a profit for the third quarter of 2016, after a heavy loss in the same period last year.



THE RAIN IN SPAIN STARTS TO REFRAIN

Olé! Spain's unemployment rate has fallen below the 20% mark for the first time in almost seven years, suggesting Spain's beleaguered economy is continuing to recover. Indeed, employment data continue to confound market commentators as the latest release revealed that close to 500,000 new jobs have been created over the past year, despite the backdrop of political stalemate and ongoing government horse-trading. That said, at 18.9%, Spain has one of the highest unemployment rates in the developed world and its rate of youth unemployment sits at an uncomfortably high level at 43%.

GERMAN BUSINESS CONFIDENCE: WUNDERBAR



Source: Bloomberg, as at 28 October 2016.

Improving sentiment among Germany's manufacturers and builders helped lift a gauge of the nation's business morale to its highest level since April 2014, surprising economists who had expected a far smaller increase. The Ifo Business Climate Index climbed from 109.5 to 110.5 in September; the median estimate in a Bloomberg survey of economists was for a rise to 109.6. The report is another sign that Europe's largest economy is set for more robust growth, after uncertainty induced by the Brexit vote contributed to a temporary slowdown.

MARKET DATA – % CHANGE IN WEEK ENDING 28 OCTOBER 2016

EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	3,781	-0.76%*
MSCI All Country World	412	+0.15%*
S&P 500 (US)	2,133	+0.18%*
Stoxx 600 (Europe)	340	+0.12%*
Topix (Japan)	1,392	+1.53%*
MSCI Asia ex Japan	545	-0.23%*
MSCI Emerging Markets	905	-0.10%*

FIXED INCOME

Global developed government bonds index (price return)	115	-0.87%
10-year Gilt yield	1.26%	+0.17%**
10-year US Treasury yield	1.85%	+0.12%**
10-year Bund yield	0.17%	+0.16%**
10-year Japanese government bond yield	-0.04%	+0.01%**

COMMODITIES

Gold (US\$, per troy ounce)	1,266	-0.02%
Brent Crude (US\$, per barrel)	50	-2.76%

CURRENCIES

GBP/USD	1.21	-0.87%
GBP/EUR	1.11	-1.09%

Source: All data sourced from Bloomberg as at 12pm, 28 Oct 2016. *Total return, in GBP terms. **Yields move inversely to prices.

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