



FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

STOCK MARKETS ENJOY TRUMP BUMP

WEEK ENDING 11 NOVEMBER, 2016



US ELECTION LIFTS GLOBAL SHARES AS BONDS SLIP FURTHER

Global company shares rallied after Republican candidate Donald Trump won the US presidential election, with the MSCI All Country World index snapping a two-week decline. US stocks outperformed, amid investor hopes that the president-elect will cut taxes and increase spending on infrastructure, while emerging markets like Mexico weakened on fears trade will suffer under Trump's protectionist policies. Elsewhere, bond markets continued to decline, as investors expected the new US administration to sell more debt and stoke inflation, which eats away at the value of bonds' fixed payments.



FED FEELS HEAT AFTER TRUMP WIN

Donald Trump's election victory has made the job of the Federal Reserve (Fed) – already saddled with the tough task of maximising employment and stabilising prices in the US – even tougher. Now the central bank must calibrate its policy to account for the president-elect's still-vague plans for infrastructure spending, tax reform and deregulation – while its chair, Janet Yellen, still smarts from unprecedented levels of criticism by Trump during his election campaign. Meanwhile, investors see a 80% chance of the Fed raising interest rates next month, bond market prices suggest.



BOND WEAKNESS BOOSTS EUROPEAN BANKS

The share prices of European banks surged this week on investor expectations that Donald Trump's policies will lead to higher inflation and an easing of financial rules. Inflation would erode the value of the bad debts on the books of some of Europe's troubled lenders at the same time as raising government bond yields, to which bank lending rates – and profits – are linked. The banks sector on the European Stoxx 600 index advanced 7%, briefly touching its highest level since March. Deutsche Bank, UBS and Credit Suisse topped the leader board, registering double-digit share price gains.



MIND THE GAP: UK TRADE DEFICIT WIDENS UNEXPECTEDLY

Britain's trade deficit – the amount by which the value of its imports exceeds that of its exports – with the rest of the world expanded in September, surprising economists, who had expected it to narrow following the sharp fall in the pound. A weaker currency should in theory boost exports, by making domestically produced goods cheaper for overseas buyers. The UK trade in goods deficit climbed £1.6bn over the month to £12.7bn. According to the Office for National Statistics, imports of ships, materials, vehicles and oil rose in September.



TRUMP'S WINNERS: THE US SHARES BOOSTED BY ELECTION RESULT

In addition to lifting the spirits of bank investors, Donald Trump's election has also bolstered the US construction, infrastructure and defence sectors. The day after the election, United States Steel strengthened 17%, and Caterpillar climbed 8%. There were even greater gains among companies running private prisons: Corrections Corporation of America rose 43% and the GEO Group 21%. But gun makers Smith & Wesson and Sturm Ruger both fell about 15%: with less chance of more restrictive legislation on firearms, gun aficionados feel less need to stock up.

GENERATION OBAMA: STARZ IN HIS EYES



Source: Bloomberg as at 10 November 2016.

As Barack Obama's US presidency enters its final weeks, now seems an opportune moment to see which Russell 1000 companies have thrived the most under his leadership. Among the top performers are Avis Budget Group and Starz. Shares in Starz, the American premium cable and satellite television network, have risen a staggering 5,617% since Obama's inauguration on 20 January 2009. Can it break the 6,000% barrier by the time Obama hands over to President-elect Donald Trump in January 2017? There are still two months left to shoot for the Starz.

MARKET DATA – % CHANGE IN WEEK ENDING 11 NOVEMBER, 2016

EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	3,684	+1.37%*
MSCI All Country World	412	+1.86%*
S&P 500 (US)	2,167	+3.87%*
Stoxx 600 (Europe)	339	-0.08%*
Topix (Japan)	1,378	-1.56%*
MSCI Asia ex Japan	535	-0.11%*
MSCI Emerging Markets	876	-0.83%*

FIXED INCOME

Bloomberg Barclays Global Aggregate Total Return bond index (price return)	466	-2.37%
10-year Gilt yield	1.36%	+0.23%**
10-year US Treasury yield	2.15%	+0.37%**
10-year Bund yield	0.30%	+0.17%**
10-year Japanese government bond yield	-0.02%	+0.04%**

COMMODITIES

Gold (US\$, per troy ounce)	1,259	-3.55%
Brent Crude (US\$, per barrel)	45	-0.86%

CURRENCIES

GBP/USD	1.26	+0.79%
GBP/EUR	1.16	+3.25%

Source: All data sourced from Bloomberg as at 12pm, 11 Nov 2016. *Total return, in GBP terms. **Yields move inversely to prices.

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