

FOR RETAIL INVESTORS

# WEEKLY MARKET ROUND-UP

## INVESTOR EUPHORIA CONTINUES, DESPITE ONSET OF TRUMP CAUTION

WEEK ENDING 13 JANUARY 2017



### US DOLLAR PAUSES FOR BREATH, EMERGING STOCK MARKETS SHINE

Another week back at the trading desks... and investors continued in generally buoyant mood. Shareholders of Asian and emerging market equities, in particular, saw strong gains, buoyed by weakness in the US dollar. (As these economies often borrow in US dollars, a weaker dollar makes their outstanding debt cheaper.) Shares in UK and European stock markets also trended higher. But investors turned slightly cautious mid-week following Donald Trump's first press conference at which further details of his plans for greater fiscal stimulus were notably lacking. This led to a move into perceived 'safe haven' assets such as gold and government bonds (see below).



### GOLD SHINES

Gold shone last week, with the price of the yellow metal reaching a seven-week high of close to US\$1,200 an ounce. The main reason behind the rise was last week's press conference by President-elect Trump in which he effectively dampened investor expectations by providing no further details on his plans for increased infrastructure spending, a key component, investors believe, for driving economic growth higher. Investor appetite for riskier assets was dulled, as they favoured instead the perceived safety of gold. The Japanese yen, meanwhile, also seen as a safe-haven investment, rose against a weaker US dollar.



### TRUMP DECLARES WAR ON DRUG PRODUCERS

Shares in pharmaceutical companies wilted after Donald Trump raged against expensive drug prices in his rumbustious press conference on Wednesday. Viagra-maker, Pfizer, fell by 2%, Bristol-Myers Squibb, which makes drugs against cancer and HIV/AIDS, fell by 5%. The rout spread to European pharmaceutical stocks the next day: Denmark-headquartered, Novo Nordisk, a world leader in diabetes care, retreated 5% in early trading on Thursday. Trump accused drug companies of 'getting away with murder', and pledged to save the US government billions through tougher bidding rules.



### M&S CHRISTMAS: NOT JUST ANY FESTIVE PERIOD

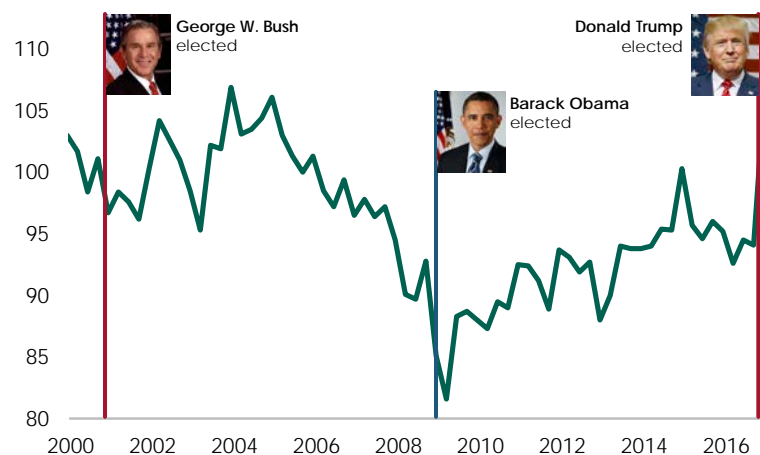
Last week saw a series of trading updates from UK retailers, revealing a mixed bag of festive success and lack thereof. While Tesco enjoyed something of a revival, investors were quick to shrug off sales growth over the period and its share price fell in the second half of the week. By contrast, Marks and Spencer's share price jumped on news that the multinational retailer enjoyed a better-than-expected December and had achieved its first like-for-like sales growth in more than two years. Chief executive Steve Rowe has made the reinvigoration of the company's clothing business a key target.



### RATE HIKE? WHAT RATE HIKE?

US government bond yields, which move inversely to prices, have dropped to levels well below those at which they traded after the Federal Reserve (Fed) raised interest rates in December. Rate increases should raise borrowing costs for governments, companies and consumers – in theory at least. But as investors wonder whether the so-called 'Trump trades' of a stronger dollar, energised equities and weaker bonds have perhaps gone too far, US debt has rallied. The yield on the two-year US Treasury bond, particularly sensitive to Fed policy, dropped as low as 1.14% on Thursday. That compares with a seven-year peak of 1.30% on 15 December, a day after the Fed raised rates.

## TRUMP MY RIDE! US SMALL BUSINESS OPTIMISM SOARS



As US President-elect, Donald Trump, approaches his 20 January inauguration date, some global headlines would have you believe the end of the world is nigh. Now, while that might be the case, someone has failed to tell the US small business community. Indeed, data released last week by the National Federation of Independent Business reported that small business optimism in the US made its sharpest rise in over 30 years last month as it jumped to its highest level since 2003 in anticipation of an improvement in business conditions. Trump has vowed to cut corporate tax and loosen regulation in an attempt to spur on the US economy.

## MARKET DATA – % CHANGE IN WEEK ENDING 13 JANUARY 2017

	LAST VALUE	% CHANGE
<b>EQUITIES</b>		
FTSE All-Share (UK)	3,960	+1.19%*
MSCI All Country World	431	+1.14%*
S&P 500 (US)	2,270	+0.65%*
Stoxx 600 (Europe)	364	+1.64%*
Topix (Japan)	1,545	+2.41%*
MSCI Asia ex Japan	537	+2.70%*
MSCI Emerging Markets	897	+2.71%*
<b>FIXED INCOME</b>		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	615	+1.67%
10-year Gilt yield	1.32%	-0.07%**
10-year US Treasury yield	2.35%	-0.07%**
10-year Bund yield	0.31%	+0.01%**
10-year Japanese government bond yield	0.05%	-0.01%**
<b>COMMODITIES</b>		
Gold (US\$, per troy ounce)	1,198	+2.13%
Brent Crude (US\$, per barrel)	55.40	-2.98%
<b>CURRENCIES</b>		
GBP/USD	1.22	-0.88%
GBP/EUR	1.14	-1.91%

Source: All data sourced from Bloomberg as at 12.05pm, 13 January 2017. \*In GBP terms. \*\*Yields move inversely to prices.

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