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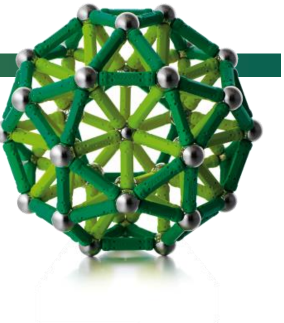

FOR RETAIL INVESTORS

# WEEKLY MARKET ROUND-UP
# SHARES ENJOY NEW YEAR REVELRY

## WEEK ENDING 6 JANUARY 2017

### STOCK MARKETS CLIMB, CHINA'S CURRENCY SOARS

Global company shares started 2017 on the front foot, amid strong economic data and as the US dollar declined following the release of more soothing-than-expected minutes from the US Federal Reserve's December meeting. Among the dollar's major rivals, sterling rose the least as investors continued to fret over the risk of a 'hard Brexit.' Shares in emerging markets gained, amid a surge in the offshore yuan – China's globally traded currency – on the back of efforts by the world's second largest economy to stop money from leaving the country. Developed market bonds continued to bounce, paring recent declines.

### MIND THE GAP

As employees across the UK returned to work last Tuesday, dusting themselves down after a week or so of festivities, they were faced with the stark reality of the UK pay gap. According to the High Pay Centre think tank, by noon on Wednesday the UK's top bosses had earned as much as the average worker takes home in a whole year. The median top bosses' average salary is around £4m a year, dwarfing the typical UK employee's annual salary of £28,000. Prime Minister Theresa May has flagged tackling corporate excess as a key tenet of her premiership.

### 2017 GETS OFF TO A FLIER

Both the eurozone and the UK kicked off 2017 with sparkling economic news. Business survey data showed the Spanish and German economies picking up pace, although Italy lagged. German unemployment fell by more than expected in December, despite the large number of refugees seeking jobs in Germany. Survey data for the UK were also strong, surprising economists worried about Brexit. The Purchasing Managers' Index for UK manufacturing growth reached a two and a half year high, helped by the weak pound, as overseas buyers were attracted to prices of UK goods that were cheaper when translated into their own currencies.


### WHERE NEXT FOR UK RETAILERS?

It's been a grim start to the new year for UK retailers. Next shares fell more than 17% on the week as the company issued a profit warning for the full year, following a further decline in its latest quarterly sales. Chief executive Simon Wolfson stated that rising UK inflation would likely affect consumers' ability to spend, while the pound's fall would make the cost of importing materials from abroad more expensive. Bike and car parts group Halfords also cited the post-Brexit vote fall in sterling as one of the main reasons for its double-digit fall in profits.

### SWEDE DREAMS ARE MADE OF THIS

Good things come to those who wait. Well, they certainly do for the German car manufacturer Volkswagen (VW). The Wolfsburg-based car maker had to wait five decades to re-take its place as Sweden's favourite brand of car but in 2016 it finally achieved its goal. According to Sweden's automaker association, the VW Golf was the most popular car in the country last year, ending a half-a-century-long winning streak for Volvo, the Swedish car giant. Volvo had held top spot in every year since 1962, when the VW Beetle took home the trophy.

## TRUMP'S TWITTER FINGER: A MULTI-BILLION DOLLAR EFFECT

LOCKHEED MARTIN — US$3BN IMMEDIATELY WIPED OFF SHARE PRICE

Ford — US$1.6BN INVESTMENT IN MEXICAN PLANT CANCELLED

BOEING — US$170M COST OF AIR FORCE ONE SLAMMED

US President-elect Donald Trump's Twitter account has been having a billion dollar effect. Last Tuesday he threatened General Motors, which makes some cars in Mexico, with a 'big border tax'. Later that day rival Ford cancelled a US$1.6 billion plant it had started in Mexico, promising to invest US$700 million in Flat Rock, Michigan. On 22 December Trump 'trolled' Lockheed Martin's over the costs of its F-35 Super Hornet fighter jet project, revealing he had asked Boeing to price a rival deal. Earlier tweets involved air conditioning company Carrier, which reversed a decision to move jobs to Mexico.

## MARKET DATA – % CHANGE IN WEEK ENDING 06/01/2017

| EQUITIES | LAST VALUE | % CHANGE |
|---|---|---|
| FTSE All-Share (UK) | 3,902 | +0.75%* |
| MSCI All Country World | 430 | +1.25%* |
| S&P 500 (US) | 2,269 | +0.78%* |
| Stoxx 600 (Europe) | 365 | +1.08%* |
| Topix (Japan) | 1,553 | +2.65%* |
| MSCI Asia ex Japan | 527 | +1.94%* |
| MSCI Emerging Markets | 882 | +1.67%* |
| **FIXED INCOME** | | |
| Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return | 603 | -0.09% |
| 10-year Gilt yield | 1.33% | +0.09%** |
| 10-year US Treasury yield | 2.35% | -0.09%** |
| 10-year Bund yield | 0.25% | +0.05%** |
| 10-year Japanese government bond yield | 0.06% | +0.01%** |
| **COMMODITIES** | | |
| Gold (US$, per troy ounce) | 1,177 | +2.55% |
| Brent Crude (US$, per barrel) | 57.29 | +0.83% |
| **CURRENCIES** | | |
| GBP/USD | 1.24 | +0.19% |
| GBP/EUR | 1.17 | -0.41% |

Source: All data sourced from Bloomberg as at 12.05pm, 6 January 2017. *In GBP terms. **Yields move inversely to prices.

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