

FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

MERGERS AND RATES ON THE RADAR

WEEK ENDING 10 MARCH 2017



SHARES EDGE LOWER AS ALL EYES ARE ON THE FED

Global stock markets inched lower, with the MSCI All Country World index halting a five-week rally in sterling terms, as investors braced for a possible interest-rate increase from the US Federal Reserve after its meeting on 15 March. The US dollar advanced for a fifth week against its major rivals, weighing on the value of natural resources like gold, which are priced in dollars, and emerging-market assets. Bond markets were mixed for sterling investors, meanwhile, after the European Central Bank signalled an eventual end to its efforts to prop up the economy (see below), and as the potential Fed move could raise the relative appeal of cash.



BRICKBATS FOR HAMMOND'S SAFE BUDGET

Chancellor Philip Hammond tried to play it safe with last week's Budget, making no revolutionary changes. Though a rosier economic outlook has given him some room for manoeuvre, he kept his powder dry, perhaps in case Brexit causes future problems. The Budget's effect on UK Gilts and the pound was notably muted. Nonetheless, Hammond still managed to annoy some backbench MPs of his own party, who spoke out against his plans to raise National Insurance contributions for the self-employed. He said he was trying to make the tax system fairer; they argued that he was penalising entrepreneurs.



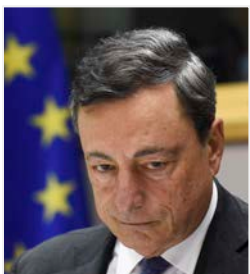
THE BIRTH OF ABERDEEN LIFE?

Last week saw terms agreed between Aberdeen Asset Management and Standard Life on an all-share merger that will create one of the UK's largest fund management companies. The deal, subject to shareholder approval, will see the combined entity with assets under management of around £660bn and some 9,000 employees. However, there are expected to be some job losses as a result of the merger. The name of the new group is yet to be announced but is expected to incorporate the names of both Aberdeen and Standard Life. The business will be headquartered in Scotland.



VAUXHALL TO JOIN PEUGEOT CONVOY

The owner of Peugeot and Citroën, France's PSA, has agreed a €2.2bn deal with General Motors to buy the US firm's Opel division – which includes the Vauxhall brand. The merger will create Europe's second-largest car-maker, behind the German giant Volkswagen. Together, the Opel and Vauxhall brands accounted for around 6.5% share of the European car market in 2016. The new combined entity will employ more than 200,000 workers. The deal will see General Motors exit the European car industry after almost 100 years of manufacturing in the region.

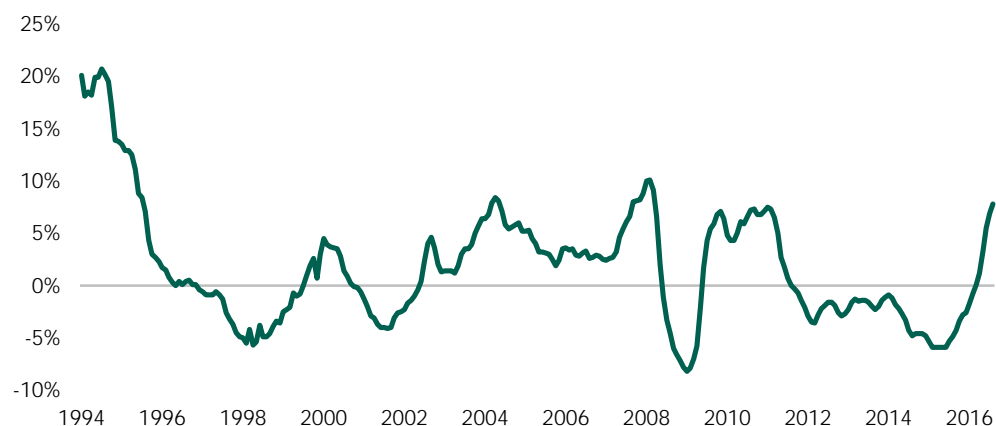


DEFLATION IS DEFEATED, SAYS DRAGHI

Mario Draghi, last week, took a baby step towards rolling back the unprecedented amount of stimulus provided by the European Central Bank (ECB). The ECB president said the central bank had decided to remove a reference to 'act by using all the instruments available' if warranted, in its most recent press conference, due to its success in seeing off the threat of deflation, or falling prices. The euro strengthened versus a basket of currencies following the comments, as they raised the prospect of an eventual end to measures such as asset purchases and interest-rate cuts that have helped weaken the currency.

CHINA: THE TEMPERATURE'S RISING

As investors it's important to know how quickly the economic pulse is beating in China, the world's second largest economy.



China's Producer Price Index (PPI) last week rose to 7.8% for the year to February 2017, its highest reading since September 2008. The indicator, which measures prices at factory gates, is important as a higher PPI reading signifies recovering investment and exports. It also reveals a notable improvement in China's industrial profitability.

MARKET DATA – % CHANGE IN WEEK ENDING 10/03/2017

EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	3,999	-0.13%*
MSCI All Country World	443	-0.69%*
S&P 500 (US)	2,365	-0.73%*
Stoxx 600 (Europe)	375	-0.14%*
Topix (Japan)	1,574	+1.02%*
MSCI Asia ex Japan	560	+0.08%*
MSCI Emerging Markets	923	-0.84%*

FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	612	+0.31%
10-year Gilt yield	1.23%	+0.05%**
10-year US Treasury yield	2.60%	+0.12%**
10-year Bund yield	0.44%	+0.09%**
10-year Japanese government bond yield	0.09%	+0.01%**

COMMODITIES

Gold (US\$, per troy ounce)	1,198	-3.01%
Brent Crude (US\$, per barrel)	52.50	-6.08%

CURRENCIES

GBP/USD	1.21	-1.19%
GBP/EUR	1.14	-1.08%

Source: All data sourced from Bloomberg as at 12.00pm, 10 March 2017. *In GBP terms. **Yields move inversely to prices.

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