



FOR RETAIL INVESTORS

# WEEKLY MARKET ROUND-UP

## SHARES STAY STRONG

WEEK ENDING 12 MAY 2017



### SHARES ROBUST DESPITE POLITICAL RISK

Political risk reared its head again this week. After the election of centrist Emmanuel Macron in France soothed worries (see below), the sacking of FBI director James Comey (pictured) by US president Donald Trump revived them. There were also worries that Trump's economic stimulus plans could be stagnating. Although the US market moved ahead less than most, shares were mostly strong worldwide, helped by good company results. Emerging markets generally outperformed. The price of oil, whose weakness during recent weeks has been a worry, as it hurts energy companies, bounced somewhat. The gold price, which has also been slightly weak since mid April, stabilised.



### LITTLE TROUBLE IN BIG CHINA?

China has returned to the forefront of investor attention, amid signs that a recovery in the world's second largest economy is decelerating, with recent figures on manufacturing and producer-price inflation missing economists' estimates. At the same time, Chinese authorities have taken steps to curb risks such as excessive lending by banks. These measures have helped to cool investors' enthusiasm, and Chinese domestic shares have slipped this month. Still, the measures could help thwart a larger market wobble, similar to that experienced in China in early 2016, thereby improving its longer-term outlook.



### EUROPEAN MARKETS TOAST MACRON VICTORY

Fresh from the news of Emmanuel Macron's comprehensive victory over Marine Le Pen in the French presidential run-off, European markets rose sharply last week. The win for the pro-Europe centrist provided a further shot in the arm for European stock markets, already boosted by an improving economic picture and the failure of populist political contenders to take a firm foothold elsewhere in the region. Both France's CAC 40 index and Germany's Dax firmed slightly, while Italy's FTSE MIB added 2%. Improved investor risk appetite meant European government bonds were the main losers.



### HANGING ON THE TELEPHONE

Investors in UK telecommunications shares were relieved to see the back of last week. Gavin Patterson, boss of BT, summed up the last 12 months as 'challenging' as he announced 4,000 job cuts, a lower rate of dividend growth going forward (and his slashed pay packet). While BT shares fell 3% on the week, shares in its smaller rival, TalkTalk Telecom slumped 12% following a warning on profits growth and a dividend cut. With *Blondie's* long-awaited album newly released, it appears that bosses may have literally left their investors hanging on the telephone.



### THE TRANQUILITY OF VOLATILITY

We live in volatile times... but not if you go by the usual measures of global market volatility. The VIX index of short-term US market volatility is at its lowest level since 1995, European volatility is at its lowest since 2006, while FTSE 100 volatility is hovering at all-time lows. These measures have long been used by investors and market commentators to track market nerves. However, some argue that the wave of monetary easing by central banks in the post-financial crisis years has dampened the predictive powers of such measures, and many now see the US dollar as a better 'fear gauge'.

## MUDDYING THE WATERS

The race may be on between the US and Japan to find sustainable sources of energy...but extraction methods differ enormously.

In the US, over the past 12 months the number of drilling rigs for shale oil surged from

**248 to 598**

Source: Baker Hughes, the oilfield services group, as at 5 May 2017.

By contrast, Japan's trade ministry last week reported some success in

**extracting methane gas** from along the sea floor.

The method, first used in 2013, is both costly and environmentally controversial. Watch this space...

## MARKET DATA – % CHANGE IN WEEK ENDING 12/05/2017

### EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,056	+1.37%*
MSCI All Country World	459	+0.72%*
S&P 500 (US)	2,394	+0.52%*
Stoxx 600 (Europe)	395	-0.05%*
Topix (Japan)	1,581	+0.99%*
MSCI Asia ex Japan	608	+2.92%*
MSCI Emerging Markets	1000.35	+2.93%*

### FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	591	-0.02%
10-year Gilt yield	1.14%	+0.02%**
10-year US Treasury yield	2.37%	+0.02%**
10-year Bund yield	0.42%	+0.00%**
10-year Japanese government bond yield	0.05%	+0.03%**

### COMMODITIES

Gold (US\$, per troy ounce)	1,229	+0.07%
Brent Crude (US\$, per barrel)	50.73	+3.32%

### CURRENCIES

GBP/USD	1.29	-0.96%
GBP/EUR	1.18	+0.14%

Source: All data sourced from Bloomberg as at 12.00pm, 12 May 2017. \*In GBP terms. \*\*Yields move inversely to prices.

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