



FOR RETAIL INVESTORS

# WEEKLY MARKET ROUND-UP

## EMERGING MARKETS ROAR

WEEK ENDING 14 JULY 2017



### STOCK MARKETS PARTY LIKE IT'S 1999

The shares, bonds and currencies of emerging markets bounced, outperforming developed markets and reversing declines seen earlier this month. The gains came as remarks from Janet Yellen, Federal Reserve chair, stoked investor expectations that the US central bank will not hasten to withdraw stimulus from the economy. Company shares worldwide also advanced, with the MSCI All Country World Index snapping a two-week decline in US dollar terms. Tech stocks topped the leaderboard, surging about 4%. Meanwhile, US the dollar lost ground against its major rivals, while bond markets climbed.



### ALL QUIET ON THE US MARKET FRONT... FOR NOW

It's quiet... but is it too quiet? The Vix index fell to 10 last week. This indicator of likely fluctuations in the S&P 500 is currently in a benign – almost soporific – state, reflecting the US market's serene progress upwards. But beneath the calm surface lie hidden currents. Rotation between sectors has been brisk, as investors are torn between desire for growth (information technology) and safety (utilities, health care). And political risks abound. Who can predict Donald Trump's next tweet, far less what North Korea has in mind? Historically, when the Vix has spiked up, its moves have been sudden.



### SNAP SHARES UNDER WATER

Shares in Snap, the company behind vanishing messages app Snapchat, fell below their launch price last week. After floating on the New York Stock Exchange at U\$17 last March, Snap soared to US\$27.09 immediately after the launch, before falling to a low of US\$15.24 on Wednesday. Slower-than-expected growth in ad revenues, and competition from rival app Instagram, are behind investors' disillusionment. Snap's revenue for the three months to March 2017 was US\$150 million, and its net loss US\$2.2 billion. Online advertising is dominated by Google and Facebook, which owns Instagram.



### INDIAN GOVERNMENT HAS BEEF WITH SUPREME COURT

Some three months after the Indian government banned the trade of cattle (including buffalo) for slaughter, its Supreme Court has suspended the law. In India, a largely Hindu country, cattle are considered sacred. And while certain states have already banned cow slaughter, it is the inclusion of water buffaloes in the new law that has prompted the Supreme Court's move. India is the world's largest exporter of beef, exporting some US\$4bn each year, and the majority of this is buffalo meat. Chief Justice Jagdish Singh Khehar said that the suspension was made to protect the livelihoods of cattle famers.



### IRELAND QUADRUPLES ITS DEBTS

Almost a decade on from the onset of the global financial crisis, Ireland's government is €200bn in debt, four times its 2007 level, according to the country's National Treasury Management Agency. While Ireland was quick to emerge from a crisis that effectively saw the collapse of its banking system, its financial health remains far removed from that of the European Union (EU) member average; debt per capita in Ireland sits at close to €42,000 per person, dwarfing the EU average of around €24,000. Finance minister Paschal Donohoe has emphasised the need to "prioritise its [debt] reduction to more sustainable levels".

## I KNOW WHEAT YOU DID THIS SUMMER

The cost of sandwiches, baguettes and even pita could rise **after a surge in wheat prices.**

**The price of soft red winter wheat futures climbed to **US\$5.39** a bushel...**

**...their highest level since 2015,** amid a drought in parts of the US.

While prices retreated somewhat after official data suggested domestic production would be bigger than wheat-watchers had expected, it looks like a slice of **bread-based inflation** may still be on the cards.

Source: Bloomberg.

### MARKET DATA – % CHANGE IN WEEK ENDING 14/07/2017

#### EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,043	+0.55%*
MSCI All Country World	471	+1.27%*
S&P 500 (US)	2,448	+0.67%*
Stoxx 600 (Europe)	386	+1.04%*
Topix (Japan)	1,625	+1.24%*
MSCI Asia ex Japan	640	+3.04%*
MSCI Emerging Markets	1,041	+3.67%*

#### FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	600	+0.08%
10-year Gilt yield	1.29%	-0.02%**
10-year US Treasury yield	2.33%	-0.05%**
10-year Bund yield	0.58%	+0.01%**
10-year Japanese government bond yield	0.08%	+0.00%**

#### COMMODITIES

Gold (US\$, per troy ounce)	1,220	+0.66%
Brent Crude (US\$, per barrel)	48.88	+4.65%

#### CURRENCIES

GBP/USD	1.30	+0.61%
GBP/EUR	1.14	+0.54%

Source: All data sourced from Bloomberg as at 12.00pm, 14 July 2017. \*In GBP terms. \*\*Yields move inversely to prices.

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