FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP
STOCK MARKETS STUMBLE

WEEK ENDING 16 JUNE 2017

STOCKS EDGE LOWER AS CENTRAL BANKERS TALK TOUGH

Stock markets worldwide inched lower, with the MSCI All Country World index snapping a three-week rally in sterling terms, as the US Federal Reserve (Fed) raised interest rates, shrugging off recent weakness in inflation. In the UK, support for such action also grew at the Bank of England (BoE). Technology stocks were among the biggest decliners, following strong gains year to date, while companies that typically enjoy relatively stable earnings, such as utilities and healthcare stocks, outperformed the broader index. European stock markets rallied towards the end of the week, buoyed by the news that an agreement had been reached over securing the next tranche of aid to Greece.

WHAT DOES BREXIT MEAN?

Sterling remained lacklustre last week, failing to gain notable ground versus the euro and US dollar, as uncertainty over the likely structure of the UK's Brexit deal returned to the fore. With Prime Minister Theresa May having failed to receive the mandate for a 'hard' Brexit that she had sought from the electorate, speculation is rife that the UK might now be set for a 'softer' exit from the EU. Meanwhile, the French president, Emmanuel Macron, said that 'the door is always open' for the UK to remain in the single market should it wish to reverse last June's decision.

FED RAISES INTEREST RATES, SHRUGS OFF WEAK INFLATION

The US Federal Reserve (Fed) raised interest rates for the second time this year, brushing off a recent decline in US inflation and other mixed economic data. The central bank lifted its benchmark lending rate by 0.25% to a target range of 1% to 1.25%, and maintained forecasts for one more hike this year. The Fed also said it would begin to trim its holdings of bonds and other assets this year. While repeating that it expects consumer prices to return to its 2% per annum target, the central bank noted it is monitoring inflation 'closely.'

TECH STOCKS NOT IMMUNE TO LAWS OF GRAVITY

What goes up must come down – a 'rule' that, until recently, has been defied by fashionable – and relatively expensive – technology stocks. The S&P 500 information technology sector has raced ahead by 18.2% year to date, almost double the broader S&P 500 index's return of 9.7%. But, over recent days, the tech sector has suffered a glitch, falling by 3.7% since 8 June, against the overall market. Some individual stocks have fared worse over that time - chipmaker Nvidia lost 8.2%, while Netflix fell by 8.4%. Snap, the company behind Snapchat, has literally snapped by over 20% since 1 June.

A RETURN TO POLITICAL RISK OR THE WANING OF POPULISM?

There has been talk of the return of political risk, with the US president in danger of becoming the subject of a criminal investigation, the UK electorate having returned a hung parliament, and leading Arab states having had a fall out with Qatar. So why has market volatility been so low? Well, the French and the Dutch elections earlier this year delivered market-friendly results, and Italy's anti-establishment 5-Star party fared badly in municipal elections on 11 June. See Trump's travails and the UK general election as reversals to populism and the picture looks much more benign.

THE TALE OF THE 10-YEAR BOND
FRUSTRATING FOR SOME…HELPFUL FOR OTHERS

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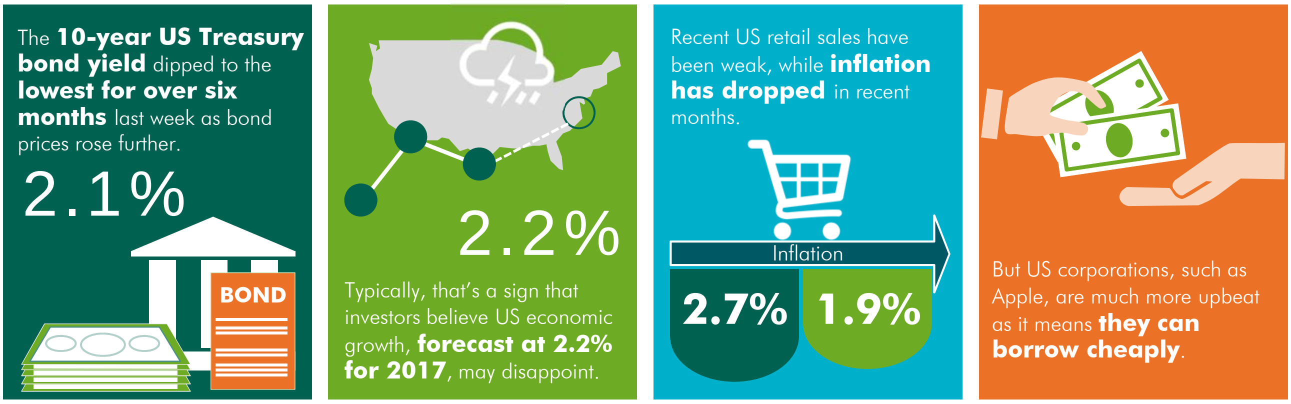

Source: Bloomberg.

MARKET DATA – % CHANGE IN WEEK ENDING 16/06/2017

EQUITIES	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,084	-0.62%*
MSCI All Country World	465	-0.54%*
S&P 500 (US)	2,432	-0.05%*
Stoxx 600 (Europe)	388	-0.98%*
Topix (Japan)	1,596	-0.75%*
MSCI Asia ex Japan	621	-1.49%*
MSCI Emerging Markets	1,004	-1.50%*
FIXED INCOME		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	611	-0.05%
10-year Gilt yield	1.05%	+0.04%**
10-year US Treasury yield	2.17%	-0.03%**
10-year Bund yield	0.31%	+0.04%**
10-year Japanese government bond yield	0.06%	0.00%**
COMMODITIES		
Gold (US$, per troy ounce)	1,256	-0.85%
Brent Crude (US$, per barrel)	47.36	-1.64%
CURRENCIES		
GBP/USD	1.28	+0.24%
GBP/EUR	1.14	+0.40%

Source: All data sourced from Bloomberg as at 12.00pm, 16 June 2017. *In GBP terms. **Yields move inversely to prices.

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