

FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

UK SHARES SPIKE AS FED HIKES

WEEK ENDING 17 MARCH 2017



STOCK MARKETS MIXED AS STERLING BOUNCES

Stock markets in the UK, US and emerging markets gained amid investor relief about soothing language and forecasts from the US Federal Reserve (Fed), even as the central bank raised interest rates, and after mainstream parties triumphed in a general election in the Netherlands. Shares worldwide were little changed in sterling terms. The pound jumped versus the US dollar in response to the Fed's action and after a member of the Bank of England's Monetary Policy Committee voted for an interest-rate increase.



FED RAISES RATES, INVESTORS APPLAUD

The US Fed raised interest rates for the third time since the financial crisis, expressing confidence that the economic recovery will stoke inflation. The central bank lifted the target range for the federal funds rate by 0.25%, to between 0.75% and 1.0%, at the same time as reiterating earlier projections that there will be a total of three such increases in 2016. Stock and bond markets rallied following the decision, while the US dollar retreated against its major rivals, as some investors had expected the projections to show the Fed taking a more trigger-happy approach to rate increases.



DUTCH PASS ON POPULISM

After months of speculation that far-right candidate Geert Wilders could gain victory in the Dutch election, the electorate went to the polls last Wednesday. But Wilders fell well short of his target, winning just 13% of the vote, and victorious Prime Minister Mark Rutte is now tasked with forming a new coalition government over the coming weeks. With an impressive turnout of more than 80%, the election in the Netherlands is just the start of a busy electoral year for Europe; France goes to the polls next month and the German elections are in September.



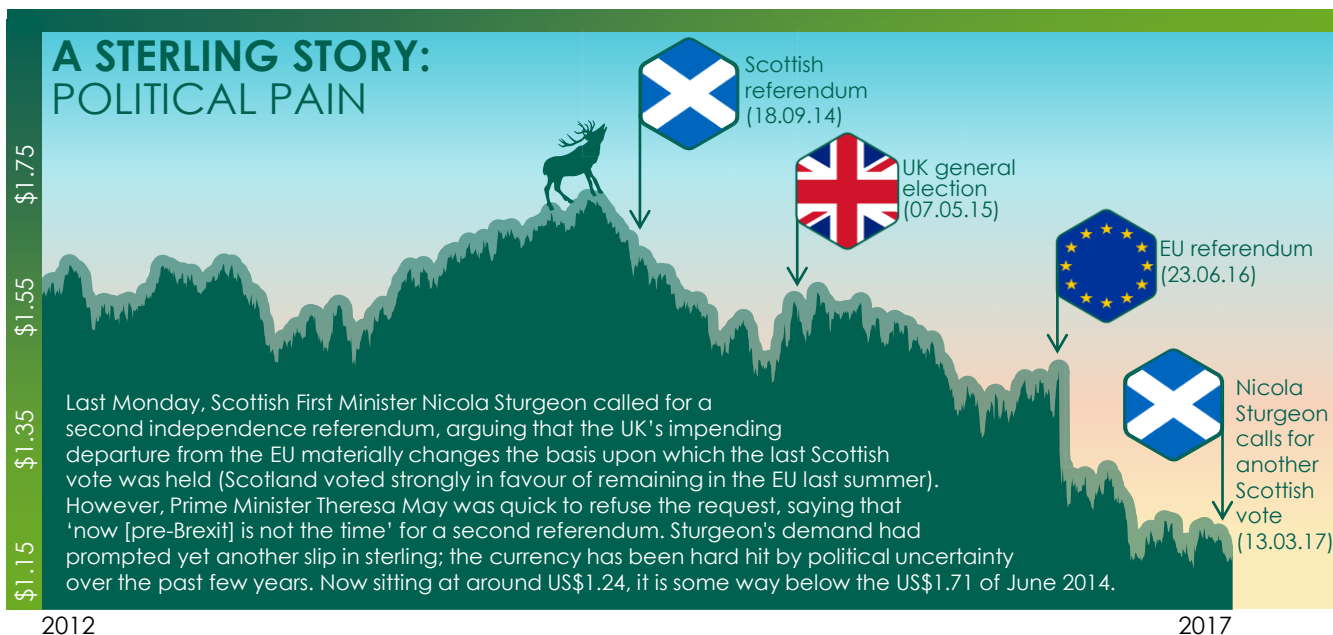
A NEW GINFLATION MEASURE

A revival in gin drinking, courtesy of new-style gins and premium mixers, has led to a change in the way the rate of inflation is measured. In its annual update, the Office for National Statistics has made changes to its inflation shopping basket, a measure used to ascertain how quickly prices are rising in the UK, based on the nation's change in buying habits. As well as the inclusion of gin, in come the cycling helmet and flavoured water. Out go menthol cigarettes, fees for stopping a cheque, and the single drainer sink.



MODI MOTORS ON

In a resounding vote of confidence, Prime Minister Narendra Modi of India secured a clear electoral victory in the state of Uttar Pradesh recently, paving the way for his Bharatiya Janata Party (BJP) to push ahead with further economic reforms, and rid the economy of corrupt practices. Commentators suggested a BJP victory in such a large state, with a population of 204 million people, augured well for Modi's standing in the 2019 national election. Modi's economic reforms have helped power the country's stock market, the BSE Sensex index, to all-time highs.



MARKET DATA – % CHANGE IN WEEK ENDING 17/03/2017

EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,038	+1.14%*
MSCI All Country World	451	-0.14%*
S&P 500 (US)	2,381	-1.07%*
Stoxx 600 (Europe)	378	+0.44%*
Topix (Japan)	1,566	-0.51%*
MSCI Asia ex Japan	581	+2.09%*
MSCI Emerging Markets	963	+2.49%*

FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	608	-0.65%
10-year Gilt yield	1.25%	+0.02%**
10-year US Treasury yield	2.52%	-0.06%**
10-year Bund yield	0.45%	-0.04%**
10-year Japanese government bond yield	0.08%	-0.01%**

COMMODITIES

Gold (US\$, per troy ounce)	1,231	+2.19%
Brent Crude (US\$, per barrel)	51.94	+1.11%

CURRENCIES

GBP/USD	1.24	+1.61%
GBP/EUR	1.15	+1.05%

Source: All data sourced from Bloomberg as at 12.00pm, 17 March 2017. *In GBP terms. **Yields move inversely to prices.

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