



FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

BONDS BOUNCE ON TRUMP TROUBLES

WEEK ENDING 19 MAY 2017



COMPANY SHARES SLIP FROM NEAR ALL-TIME HIGHS

Global stock markets pulled back, with the MSCI All Country World Index retreating from close to a record peak, as US President Donald Trump faced mounting controversies surrounding Russia and a political crisis shook Brazil (see below). As a result, shares in utility companies, which investors tend to favour as relatively stable stocks, topped the leader board on the index. Developed-market government debt, which is perceived as a 'safe haven' of sorts, was also in demand: the yield on 10-year US Treasury bonds – which moves inversely to prices – dropped to a one-month low.



IS TRUMP'S TEFLON WEARING THIN?

With less than four months under his belt as US president, bookies are busy taking bets on Donald Trump's early departure from the White House. Dogged by rumours of collusion with Russia during his campaign, Trump has clashed with the media and US security agencies. Following Trump's dismissal of James Comey, FBI director, and allegations he shared classified information with Russian diplomats, the Department of Justice appointed a special counsel to investigate ties between his election campaign and Russia. The US dollar, having risen sharply after the election last year, has since lost all ground gained.



INVESTORS WANNABUY TECH SHARES AFTER CYBERATTACK

The WannaCry ransomware virus, which infected hundreds of thousands of computers worldwide earlier this month, illegally encrypting their data and demanding payments, sparked a rally in tech stocks. Shares in Microsoft initially rose 3%, on expectations that more companies might upgrade their operating systems, as it became clear that older versions had been the most vulnerable. IT security company Palo Alto Networks rose 5%, and the ISE cyber security index 4%. All fell back later in the week on US market weakness. Shares in UK-based IT security company Sophos leaped by 17% and maintained the gain.



BRAZIL ROCKED BY (ANOTHER) CORRUPTION SCANDAL

There's never a quiet moment in Brazilian politics. Just as the impeachment and removal of former President Dilma Rousseff was fading from memory, up popped another scandal at the very pinnacle of government; Dilma's successor, Michel Temer, is alleged to have bought a colleague's silence over corruption investigations. The bombshell was met with distinct unease by financial markets: Brazil's Bovespa equity index fell 10% upon opening on Thursday, wiping out all gains made this year; the yield on the 10-year Brazilian government bond soared (the price fell); while the Brazilian currency, the real, plunged to a five-month low versus the US dollar.



STILL GAME-ON FOR TENCENT

Tencent, the Chinese internet giant, was one of the best-performing shares on the Hong Kong stock exchange last week, rising by over 4%. Profits in the three months to end-March 2017 soared 58% year-on-year to 14.5bn renminbi (US\$2.1bn). Strong profits growth was driven by online gaming and buoyant advertising revenues from the group's renowned WeChat app. With a value of over US\$300bn, Tencent is the ninth-largest listed company in the world. But the company still has some way to go to push Apple off the top spot; as the world's largest company, boasts a price tag of US\$794bn.

A WEALTH OF INVESTOR RICHES

Last week proved a topsy-turvy session for investors as some stock markets flirted with all-time highs, before drifting lower on US political concerns. But share-price fluctuations are a natural part of everyday investing.



MARKET DATA – % CHANGE IN WEEK ENDING 19/05/2017

	LAST VALUE	% CHANGE
EQUITIES		
FTSE All-Share (UK)	4,085	+0.58%*
MSCI All Country World	456	-1.54%*
S&P 500 (US)	2,366	-1.91%*
Stoxx 600 (Europe)	391	+0.23%*
Topix (Japan)	1,560	-0.55%*
MSCI Asia ex Japan	607	-0.95%*
MSCI Emerging Markets	988	-2.29%*
FIXED INCOME		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	596	+0.40%
10-year Gilt yield	1.09%	0.00%**
10-year US Treasury yield	2.25%	-0.08%**
10-year Bund yield	0.37%	-0.02%**
10-year Japanese government bond yield	0.04%	-0.01%**
COMMODITIES		
Gold (US\$, per troy ounce)	1,253	+1.96%
Brent Crude (US\$, per barrel)	53.14	+4.52%
CURRENCIES		
GBP/USD	1.30	+0.85%
GBP/EUR	1.16	-1.23%

Source: All data sourced from Bloomberg as at 12.05pm, 19 May 2017. *In GBP terms. **Yields move inversely to prices.

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