

FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

US DOLLAR RENEWS ITS RALLY

WEEK ENDING 20 OCTOBER 2017



GLOBAL STOCKS GAIN

The US dollar began to bounce again, amid investor hopes that the Trump administration will manage to pass some tax cuts in Congress and might pick a new central bank chief who favours raising interest rates more rapidly (see below) than the incumbent. Higher interest rates make the dollar a more attractive asset to hold for investors. Meanwhile, the pound slipped on further signs of weakness in the UK economy and amid reports of scant progress in Brexit talks. Stock markets worldwide advanced in sterling terms, led by the US, while UK company shares were little changed.



BREXIT TALKS STALL OVER CASH

After five rounds of negotiations, UK talks on exiting the EU have fallen behind schedule. Negotiations on future trade, which Prime Minister Theresa May had hoped would start this autumn, now look unlikely to kick-off until December at the earliest. The dispute is, predictably, over money. May is thought to be willing to stump up around €20bn to the EU budget in 2019 and 2020, but the European Commission wants further commitments. Sterling has fallen 3.2% against the US dollar since mid-September, but is still up 9.6% year to date, having recovered some of its losses since the June 2016 referendum.



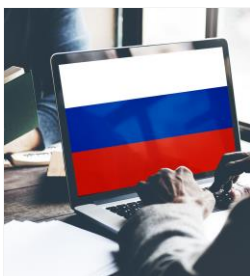
CHINA'S ECONOMY REMAINS ON TRACK

The Chinese economy grew by 6.8% in the third quarter of the year, keeping the country on track for its first year-on-year acceleration in growth since 2010. The economy expanded by 6.7% in 2016. This is good news for President Xi Jinping as he seeks to consolidate power; growth numbers were released in the midst of the country's five-yearly Communist party congress. It wasn't all plain sailing, though: data showed Chinese residential property sales fell in September for the first time in two and a half years, while investment growth has dropped to its lowest level in almost two decades.



WHO WANTS TO BE A FED CHAIR?

The hottest show right now in the US is not *The Apprentice* or even *Who Wants to Be a Millionaire?*, but Donald Trump's deliberations over who should lead the Federal Reserve (Fed) – the world's most powerful central bank. The US president is picking from a shortlist of five names, according to Bloomberg reports. These include Stanford University economist John Taylor, current Fed governor Jerome Powell and the current chair, Janet Yellen. The season finale is due to air around the end of October, when Trump has indicated he will reach his decision.



RUSSIA MULLS CRYPTOCURRENCY

Russia may be gearing up to issue its own crypto-ruble, according to local media reports quoting the minister of communications. The move comes after Kazakhstan's government announced it would be developing its own cryptocurrency. In August, Estonia revealed plans for an 'estcoin', and in September, Japan for a 'J-Coin'. Russia's interest may be more about improving control of tax collection, and it has no plans to recognise Bitcoin, the decentralised and partially anonymous cryptocurrency. The price of Bitcoin is up 497% against the US dollar this year, despite claims its meteoric rise is merely a bubble.

UP, UP AND ABE

Japanese voters went to the polls on 22 October, with Shinzo Abe hoping to strengthen his position



*Source: Poll from the Yomiuri Shimbun newspaper. **Source: Bloomberg YTD total returns in GBP terms as at 18/10/2017. ***Source: CITIC CLSA, Bloomberg.

MARKET DATA – % CHANGE IN WEEK ENDING 20/10/2017

	LAST VALUE	% CHANGE
EQUITIES		
FTSE All-Share (UK)	4,138	+0.05%*
MSCI All Country World	496	+1.18%*
S&P 500 (US)	2,562	+1.40%*
Stoxx 600 (Europe)	390	+0.54%*
Topix (Japan)	1,731	+1.14%*
MSCI Asia ex Japan	684	+0.37%*
MSCI Emerging Markets	1,117	+0.23%*
FIXED INCOME		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	602	+0.66%
10-year Gilt yield	1.31%	-0.05%**
10-year US Treasury yield	2.36%	+0.09%**
10-year Bund yield	0.44%	+0.03%**
10-year Japanese government bond yield	0.08%	+0.01%**
COMMODITIES		
Gold (US\$, per troy ounce)	1,281	-1.75%
Brent Crude (US\$, per barrel)	56.73	-0.77%
CURRENCIES		
GBP/USD	1.31	-1.05%
GBP/EUR	1.11	-0.90%

Source: All data sourced from Bloomberg as at 10.55am, 20 October 2017. *In GBP terms. **Yields move inversely to prices.

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