



FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

STERLING JUMPS ON ELECTION CALL

WEEK ENDING 21 APRIL 2017



STOCK MARKETS SLIP AS GEOPOLITICS WEIGH

Global company shares dropped in sterling terms, with the MSCI All Country World index sliding for a second week, largely due to strength in sterling, which lowered the value of overseas assets and earnings for pound-based investors (see below). As a result of this, UK shares underperformed those in other developed markets. The weakness also reflected muted investor sentiment ahead of the impending French presidential vote and following tensions on the Korean peninsula and the announcement of a snap UK general election. Energy stocks were among the biggest decliners globally amid a drop in the oil price.



MAY MAKES MARCH ON JUNE

Is the UK electorate bored of going to the polls? We'll soon find out. After months of ruling out going to the polls before 2020, last Tuesday the UK Prime Minister Theresa May called a snap election on 8 June. With the support of the Labour and Liberal Democrat parties, May can side-step the fixed term parliament act (two-thirds of MPs need to agree) and the country will vote in just under seven weeks. The prime minister hopes to significantly expand her majority (currently a working majority of 17) and win a clear mandate with which to push through Brexit.



POUND BUCKS UP ON UK ELECTION NEWS

The surprise announcement of a UK general election put a spring in the step of sterling, which jumped from US\$1.25 to US\$1.28. The pound has suffered since the Brexit vote in June 2016, when it fell from US\$1.48 because of potential economic problems that barriers with the UK's largest trading partner, Europe, might bring. Last week sterling rose on expectations that the Conservatives will increase their majority, giving Theresa May greater stability as she enters negotiations with the EU. Another factor is the weakness of the US dollar, owing to delays facing President Donald Trump's domestic plans.



WALL STREET RIVALS JOSTLE FOR BOND BUSINESS

Two Wall Street giants are vying for pole position in the bond trading world. For the first time in six years, Morgan Stanley's bond, currency and commodities traders brought in more money during the quarter (US\$1.71 billion) than those of Goldman Sachs (US\$1.69 billion). Morgan Stanley's first quarter results were strong across the board, and its shares rose 2%, while Goldman's disappointed and its shares fell 6%. Even so, Goldman might not be too worried: though flat compared to the previous quarter, its net profits for the three months were still a cool US\$2.2 billion, up 80% compared to the first quarter of 2016.



TURKISH DELIGHT FOR ERDOGAN

The value of Turkey's shares, bonds and currency climbed after Recep Tayyip Erdogan emerged victorious in a referendum on a new constitution that will hand the Turkish president sweeping powers. The vote, which paves the way for Erdogan to rule Turkey until 2029, was only narrowly won and laid bare divisions within Turkish society. The result was also contested: European observers said a decision to count unstamped votes broke electoral law. Still, investors seemed to welcome the political certainty brought about by the result, at least in the near-term: the Borsa Istanbul 100 index rose to a four-year peak.

'TRUMP BUMP' FALLS FLAT FOR RUSSIA

Boosted by the prospects of improved and constructive Russo-US relations, the index rose sharply over the turn of the year in local currency terms. However, the situation in Syria and worsening relations between the Trump administration and the Kremlin suggest there's little hope of Russia coming in from the cold any time soon.

8 Nov 2016

From Russia with love? It seems it was a short-lived romance. The Russian equity index of the country's 50 most liquid stocks, the Micex, has fallen back below its level of 8 November 2016, the date of the US election.



MICEX INDEX

20 Apr 2017

Source: Bloomberg as at 20/04/2017, in Russian ruble terms.

MARKET DATA – % CHANGE IN WEEK ENDING 21/04/2017

EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	3,911	-2.46%*
MSCI All Country World	447	-1.60%*
S&P 500 (US)	2,356	-1.22%*
Stoxx 600 (Europe)	378	-2.00%*
Topix (Japan)	1,489	-0.54%*
MSCI Asia ex Japan	580	-2.85%*
MSCI Emerging Markets	958	-2.47%*

FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	598	-2.15%
10-year Gilt yield	1.05%	+0.01%**
10-year US Treasury yield	2.24%	0.00%**
10-year Bund yield	0.24%	+0.05%**
10-year Japanese government bond yield	0.02%	+0.01%**

COMMODITIES

Gold (US\$, per troy ounce)	1,281	-0.37%
Brent Crude (US\$, per barrel)	52.97	-5.22%

CURRENCIES

GBP/USD	1.28	+2.10%
GBP/EUR	1.19	+1.19%

Source: All data sourced from Bloomberg as at 11.05am, 21 April 2017. *In GBP terms. **Yields move inversely to prices.

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Please remember that past performance is not a guide to future performance. The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Exchange rate changes may cause the value of overseas investments to rise or fall.

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