

FOR RETAIL INVESTORS

# WEEKLY MARKET ROUND-UP

## SHARES POWER AHEAD

WEEK ENDING 21 JULY 2017



### GLOBAL SHARES REACH RECORD HIGHS

Stock markets worldwide gained for a third week in sterling terms, propelling the MSCI All Country World to within spitting distance of a record peak, amid gains in so-called 'defensive' stocks that tend to produce stable earnings and dividends. Bond markets also advanced, as the European Central Bank reiterated that it would not hasten to unwind its stimulus programme and the US dollar continued to weaken (see below). The latter move came as a US investigation into possible ties between Donald Trump's presidential campaign and Russia expanded its scope, intensifying the problems he faces.



### US-CHINA TRADE TALKS STUMBLE

Trade negotiations between the US and China have collapsed without agreement. Unusually, no joint statement was issued after the meetings, held in Washington, and a press conference was cancelled. Behind the failed talks is a persistent, long-term trade imbalance. China has been highly successful in exporting goods such as electronics, produced by workers on lower wages than their US competitors. China's exports to the US were worth US\$463bn in 2016, while US exports to China totalling only US\$116bn. Stockmarkets in both countries have been robust this year, although investors could start to worry if a trade war were to loom.



### WEAK POUND PUTS TOURISTS ON THE GROUND

The first three months of 2017 saw a surge in the number of tourists visiting the UK, according to the Office for National Statistics. The rise in visits – almost 10% higher than in 2016 – has been attributed to the weakness of sterling. A weaker pound makes it cheaper for foreigners visiting the UK and more expensive for Brits heading overseas. Sterling fell sharply following last year's referendum on membership of the EU, and while it has recovered slightly, it still sits almost 12% lower than its pre-referendum high. The UK's 8.3 million visitors in the three months injected £4.4bn into the economy.



### EUROPEAN SUMMER: PERIPHERALS COME IN FROM THE COLD

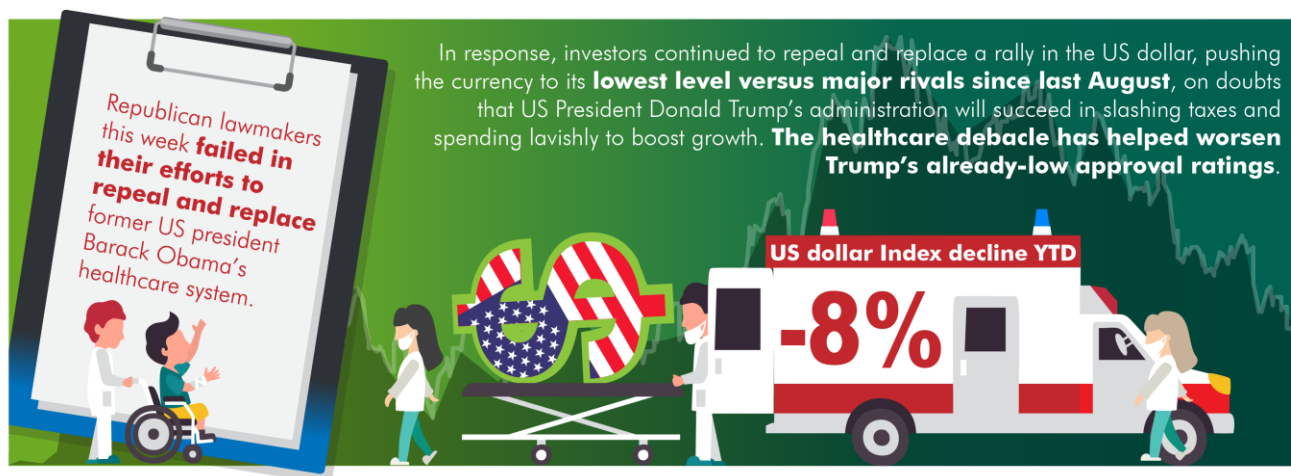
So called peripheral eurozone bonds – debt issued by governments in countries such as Greece and Portugal – have performed strongly over recent months. The yield on the Greek 10 year bond has fallen 2.5% since February (prices move inversely to yields). Why the rally? Support from the European Central Bank has helped, but so has solid economic growth, particularly in Portugal, where problems in the banking system have largely been contained. Greece may be turning a corner: tourism is strong and unemployment is falling. That said, Greece is starting from a low base.



### IS ALASKA BAKED?

Bonds issued by the US state of Alaska have been downgraded by credit rating agency Standard & Poor's (S&P) for the second time in two years, as weakness in the oil price in recent years has prompted the state's budget deficit to soar. The downgrade by S&P to an AA rating – which still suggests 'a very strong capacity to meet its financial commitments' – reflects the state's failure to implement fiscal reforms. Alaska, bought from Russia in 1867 for the princely sum of US\$7.2m, is believed to contain some 30% of the recoverable offshore oil in the US.

# TRUMP HEALTHCARE FAILURE INFECTS US DOLLAR



Source: Bloomberg.

## MARKET DATA – % CHANGE IN WEEK ENDING 21/07/2017

### EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,105	+1.78%*
MSCI All Country World	478	+1.65%*
S&P 500 (US)	2,473	+1.40%*
Stoxx 600 (Europe)	384	+1.54%*
Topix (Japan)	1,630	+1.73%*
MSCI Asia ex Japan	649	+1.96%*
MSCI Emerging Markets	1,059	+2.06%*

### FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	606	+1.71%
10-year Gilt yield	1.19%	-0.12%**
10-year US Treasury yield	2.24%	-0.09%**
10-year Bund yield	0.50%	-0.10%**
10-year Japanese government bond yield	0.07%	-0.02%**

### COMMODITIES

Gold (US\$, per troy ounce)	1,248	+1.57%
Brent Crude (US\$, per barrel)	49.53	+1.27%

### CURRENCIES

GBP/USD	1.30	-0.69%
GBP/EUR	1.12	-2.22%

Source: All data sourced from Bloomberg as at 11.00am, 21 July 2017. \*In GBP terms. \*\*Yields move inversely to prices.

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