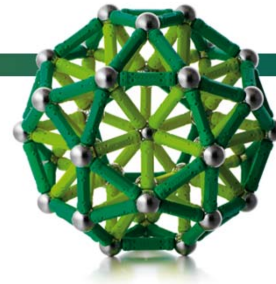
FOR RETAIL INVESTORS



WEEKLY MARKET ROUND-UP
INVESTORS PAUSE FOR BREATH

WEEK ENDING 24 FEBRUARY 2017

TAKING A BREATHER

Global shares paused for breath last week, although shares in Asia and emerging markets continued their recent strong run in sterling terms. While the corporate earnings season kicked off in earnest, there seemed little to dampen investor sentiment, with profits meeting, or even exceeding, analysts' forecasts. Bond prices rose on the week and yields fell (prices move inversely to yields), as investors seemed unnerved by the inflationary implications of an increase in global economic growth. Oil bubbled higher and gold, seen as more of a 'safe haven' asset, shone.

KRAFT'S GUILE CAN'T TEMPT UNILEVER

The deal that never was: just days after launching a US$143bn (£115bn) bid to buy Unilever, Kraft Heinz abandoned its plans to purchase the UK conglomerate. Unilever, the owner of the Dove, Marmite and Ben & Jerry's brands, had rejected Kraft's initial bid, stating that it saw no merit in the deal 'either financial or strategic'. The deal would have been one of the largest in corporate history, adding Unilever's brands to the US giant's stable of household names. Unilever's share price, having risen sharply on news of the bid, lost ground following Kraft's withdrawal.

EURO HURT BY THE FRENCH CONNECTION

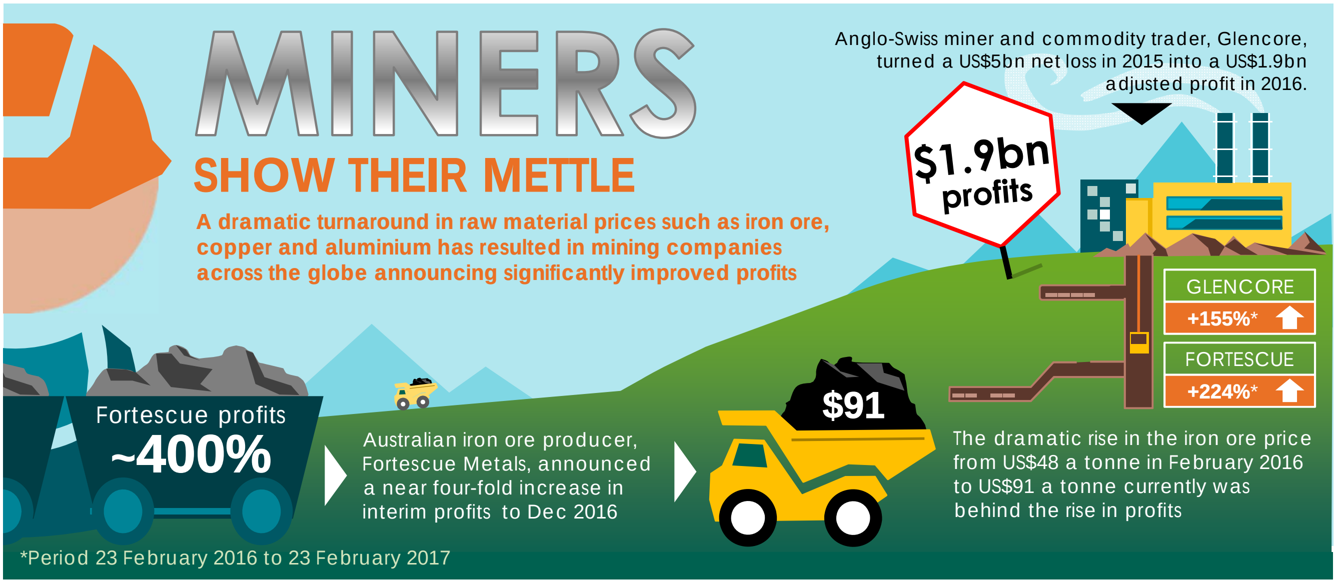
Once again, the euro is the whipping boy for investor worries over European politics. Ahead of the French election in April, the currency has dropped close to its lows versus the US dollar, last seen since 2003, as Marine Le Pen – the far-right candidate who has pledged to extricate France from the euro area – has maintained, and even increased, her poll lead. Meanwhile, French bonds and shares have underperformed their German peers in the year to date. Even though polls suggest Le Pen would lose in the second round run-off, investors are clearly gripped by her attempt to occupy the Élysée Palace.

BANKS BUOYED BY BETTER RESULTS

It's often the sector investors love to hate. But those expecting really negative news were disappointed last week as global banking giant, HSBC, announced its annual profit results. Those who pointed to the fall in the HSBC share price immediately following the announcement were quickly countered by those who had noted a strong run in the share price prior to the results. There was good news both in the increase in the capital buffers (a sign of the bank's health) and on the dividend front. In the UK, investors in Lloyds Bank were treated to better than expected profits results, buoyed by the falling out of Payment Protection Insurance (PPI) claims.

EMERGING MARKET ASSETS RE-EMERGE TRIUMPHANT

Company shares and bonds of emerging markets (EMs), such as Brazil and India, enjoyed a significant rally last year – until the US election. Amid fears of the US raising trade barriers, as pledged by President Donald Trump while on the campaign trail, emerging-market assets retreated. The pullback was brief, though. Year to date, both emerging-market bonds and shares have outperformed their developed-market peers, with the MSCI EM index hitting its highest level since 2015 in US dollar terms. The gains come amid weakness by the US dollar, which lowers the debt burden of companies that borrow in the currency.



MARKET DATA – % CHANGE IN WEEK ENDING 24/02/2017

EQUITIES	LAST VALUE	% CHANGE
FTSE All-Share (UK)	3,925	-0.83%*
MSCI All Country World	447	-0.18%*
S&P 500 (US)	2,364	-0.26%*
Stoxx 600 (Europe)	369	-1.24%*
Topix (Japan)	1,550	-0.08%*
MSCI Asia ex Japan	569	+0.46%*
MSCI Emerging Markets	952	+0.60%*
FIXED INCOME		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	601	-0.65%
10-year Gilt yield	1.12%	-0.09%**
10-year US Treasury yield	2.36%	-0.05%**
10-year Bund yield	0.21%	-0.09%**
10-year Japanese government bond yield	0.07%	-0.03%**
COMMODITIES		
Gold (US$, per troy ounce)	1,257	+1.83%
Brent Crude (US$, per barrel)	56.19	+0.68%
CURRENCIES		
GBP/USD	1.26	+1.14%
GBP/EUR	1.18	+1.23%

Source: All data sourced from Bloomberg as at 12.00pm, 24 February 2017. *In GBP terms. **Yields move inversely to prices.

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