

FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

POUND STARTS YEAR ON FRONT FOOT

WEEK ENDING 27 JANUARY 2017



SHARES TREAD WATER, BONDS EXTEND RETREAT

Global stock markets were little changed in sterling terms, as a rise in the pound erased gains accrued by overseas assets in local-currency terms, while investors digested broadly positive company earnings reports and mostly stronger-than-expected growth data for the world economy. Materials and financial companies were among the best performers, amid hopes the global economic expansion will gather pace. Bank stocks were boosted by rising government bond yields – which move inversely to prices – ahead of this week's meeting by the US Federal Reserve. Bank profits are linked to the level of bond yields. Overall, company shares in emerging markets outperformed developed markets.



BT FALLS 20% ON ITALIAN ACCOUNTANCY SCANDAL

Shares in BT, the British telecommunications operator, fell 20% after it revealed a major accountancy scandal in its Italian subsidiary after a forensic investigation by KPMG. BT said it would write off £530m due to the problems, which involve years of 'inappropriate behaviour' including 'improper accountancy practices' within the unit. BT also warned of a deteriorating outlook for UK public sector and international business. BT's Italian woes are the latest in a string of scandals afflicting European companies in recent years, including Volkswagen's emissions manipulations in 2015 and Tesco's profits overstatement in 2014.



FOOD, NOT SO GLORIOUS FOOD

It was a tough week for food manufacturers. Shares in Anglo-Dutch consumer giant Unilever, which manufactures everything from Marmite to Ben & Jerry's ice cream, fell 5% on disappointing sales growth during the final three months of 2016, particularly in Europe. But the real clanger of the week came from Swiss-Irish company Aryzta, the manufacturer of frozen bakery products, whose profits fell sharply. Aryzta, known for its 'Cuisine de France' range of filled croissants and baguettes blamed its problems on flaky sales and increased labour costs. Shares crumbled over 30% on the announcement.



ALIBABA SHINES ... BUT CAUTIOUS ON TOUGH TIMES AHEAD

Chinese online retail giant Alibaba served up some sparkling third-quarter results last week, posting a 54% increase in sales, and leading to significant profits upgrades for the year. But the company's billionaire owner, Jack Ma, warned that China's short-term economic outlook would be 'tougher than expected' and trade friction with the US inevitable. The comments came as China was reported to be lowering its official growth target to around 6.5% from last year's 6.5%-6.7% range, the lowest for 26 years. Alibaba's shares rose by over 6% in US dollar terms during the week.



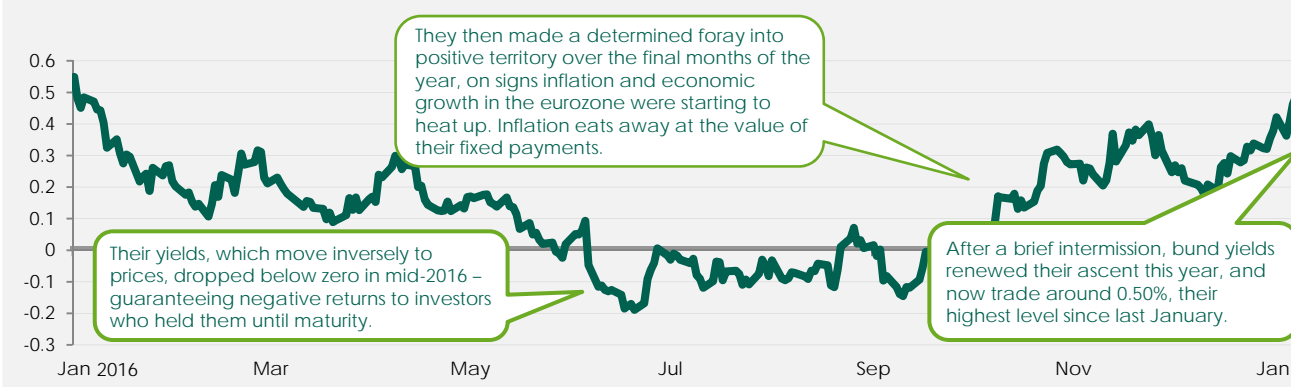
A SUPREME JUDGEMENT

The UK constitution has never been written down, and it took 11 Supreme Court justices six weeks to decide that the government lacks the power to exit the EU without a fresh act of parliament, despite last June's referendum. The court decided by a majority of eight to three, issuing a 43,000 word judgment. The government quickly responded with a bill, just 137 words long, that would grant itself the power. Parliament will now vote on that bill. The pound has enjoyed a strong start to the new year, up 1.5% against the US dollar; though it is still down 16.1% since the referendum on 23 June 2016.

BUNDS FALL: ROUND TRIP FOR GERMAN YIELDS

GERMAN 10-YEAR BUND YIELD (%)

German 10-year government bonds, or bunds, have been on quite a journey over the past year.



MARKET DATA – % CHANGE IN WEEK ENDING 27/01/2017

EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	3,884	-0.46%*
MSCI All Country World	436	-0.70%*
S&P 500 (US)	2,297	-0.92%*
Stoxx 600 (Europe)	366	-0.53%*
Topix (Japan)	1,549	-0.69%*
MSCI Asia ex Japan	549	+0.38%*
MSCI Emerging Markets	917	+0.56%*

FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	593	-2.17%
10-year Gilt yield	1.49	+0.06%**
10-year US Treasury yield	2.51	+0.05%**
10-year Bund yield	0.48	+0.06%**
10-year Japanese government bond yield	0.08	+0.02%**

COMMODITIES

Gold (US\$, per troy ounce)	1184	-2.15%
Brent Crude (US\$, per barrel)	55.7	+0.38%

CURRENCIES

GBP/USD	1.25	+1.28%
GBP/EUR	1.17	+1.36%

Source: All data sourced from Bloomberg as at 12:00pm, 27 January 2016. *In GBP terms. **Yields move inversely to prices.

Building better solutions



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. Issued by Old Mutual Global Investors (UK) Limited (trading name, Old Mutual Global Investors), a member of the Old Mutual Group. Old Mutual Global Investors is registered in England and Wales under number 02949554 and its registered office is 2 Lambeth Hill London EC4P 4WR. Old Mutual Global Investors is authorised and regulated by the UK Financial Conduct Authority ("FCA") with FCA register number 171847 and is owned by Old Mutual Plc, a public limited company limited by shares, incorporated in England and Wales under registered number 3591559. This communication is for information purposes only and does not constitute a financial promotion (as defined in the Financial Services and Markets Act 2000) or other financial, professional or investment advice in any way. Nothing in this document constitutes a recommendation suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. It is distributed solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the document. Any opinions expressed in this document are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Old Mutual Global Investors as a result of using different assumptions and criteria. This communication is for retail investors. OMI 01_17_0160.