



FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

ECB TO INVESTORS: TRICK OR TREAT?

WEEK ENDING 27 OCTOBER 2017



DRAGHI GIVES WITH ONE HAND, TAKES WITH THE OTHER

The European Central Bank (ECB) has pledged to continue hoovering up bonds until September – but at only half the current rate. Taking heart at the strengthening recovery across the euro area, the central bank on Thursday said it would cut purchases of public and private assets to €30bn per month from January, down from €60bn at present. Mario Draghi, ECB president, also said the central bank could extend its bond-buying beyond September, or even increase the pace of purchases, should the economy deteriorate, comforting any investors concerned the central bank is about to stop hosing down markets with stimulus.



JAPANESE SHARES CLIMB ON ELECTION; DOLLAR EXTENDS GAINS

Shares worldwide edged lower in sterling terms, with the MSCI All Country World Index remaining close to a record peak, as better-than-expected company earnings were offset by investor caution given the strength of recent gains. The Japanese stock market outperformed, following Prime Minister Shinzo Abe's landslide election victory, while shares in emerging markets retreated for a second week. Elsewhere, the euro dropped versus the US dollar after the ECB assured investors that its policy would remain highly supportive of economy growth (see above). The US dollar extended its rally against a basket of rival currencies, reaching a three-month peak.



INDIAN BANKS GET TURBO-CHARGED

Shares in India's banks have soared on news that the Indian government had pledged to inject US\$32bn into the state-owned banking sector. The figure, ten times the amount in an earlier plan, sent shares of State Bank of India over 27% higher, while Canara Bank closed 38% up on the announcement, in sterling terms. The move will put banks on a much healthier footing in future. The move should also be positive for India's infrastructure (road and railway) projects, with Prime Minister Narendra Modi likely to reaffirm his commitment to these ahead of India's 2019 elections.



US INDUSTRIALS FORGE AHEAD

Technology stocks may have been the darlings of the US stock market this year, but heavyweight industrials have been kissed by success too. Shares in Caterpillar firmed 5% in sterling terms after the equipment manufacturer said it expects earnings to grow faster than previously expected. The company is riding high on demand from the onshore oil, Chinese construction and mining sectors. Year to date, Caterpillar shares have returned 48%. And 3M, perhaps best known for making Scotch tape and Post-It notes, also announced good results. Its shares climbed 6% on the news, and have gained 30% this year.



UK DIVIDEND BONANZA

London-listed companies paid out a record £28.5bn to shareholders between June and September 2017, up 14.2% compared to the same period last year, according to Capita. This is the highest amount for any third quarter (and the third highest amount for any quarter) on record. Special dividends made a contribution, rising by two-fifths to £1.5bn, including a particularly large £960m payout by contract catering firm Compass. Miners accounted for two-thirds of the total increase: after several difficult years in which they cut costs, their profitability is now strong thanks to higher prices for natural resources.

CLOSING THE NETFLIX



MARKET DATA – % CHANGE IN WEEK ENDING 27/10/2017

EQUITIES	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,119	-0.19%*
MSCI All Country World	494	-0.42%*
S&P 500 (US)	2,560	-0.45%*
Stoxx 600 (Europe)	393	+0.30%*
Topix (Japan)	1,771	+2.59%*
MSCI Asia ex Japan	684	-0.43%*
MSCI Emerging Markets	1,108	-0.91%*
FIXED INCOME		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	597	-0.30%
10-year Gilt yield	1.36%	+0.03%**
10-year US Treasury yield	2.45%	+0.06%**
10-year Bund yield	0.41%	-0.05%**
10-year Japanese government bond yield	0.07%	0.00%**
COMMODITIES		
Gold (US\$, per troy ounce)	1,269	-0.93%
Brent Crude (US\$, per barrel)	59.16	+2.44%
CURRENCIES		
GBP/USD	1.31	-0.74%
GBP/EUR	1.13	+0.52%

Source: All data sourced from Bloomberg as at 11.05am, 27 October 2017. *In GBP terms. **Yields move inversely to prices.

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