



FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

US DOLLAR EXTENDS BOUNCE

WEEK ENDING 29 SEPTEMBER 2017



STOCK MARKETS INCH HIGHER; BONDS SLIP

The US dollar rose for a third week against a basket of its major rivals, amid expectations of further rate hikes, a decent run of economic data and hopes that Congress may approve some kind of tax reform. The German election also helped to boost the currency versus the euro. These factors weighed on bonds, which were led lower by US Treasuries (see below). Stock markets worldwide edged higher in sterling terms, with emerging markets underperforming and Japan outperforming. Stocks with bond-like qualities, such as utilities, underperformed; energy stocks outperformed as oil prices rose.



EURO SOFTENS AS MERKEL DISAPPOINTS

The euro endured one of its worst days of the year on Monday, losing ground versus the US dollar after Angela Merkel's victory in the German elections proved less clear cut than anticipated. The margin of Merkel's win, coupled with a better-than-expected showing from the far-right AfD party, has increased political uncertainty in the eurozone. Having hit US\$1.20 earlier in the month, its highest level since 2014, the euro fell back to US\$1.17 at one stage last week. Still, the single currency has enjoyed sustained appreciation against the dollar in 2017, rising by some 12%.



CATALANS TO GO IT ALONE-IA?

Amid rising political tensions and despite the vote declared illegal by the Spanish government, at the time of writing, Catalonia, the country's wealthiest region, was set to hold a vote on independence on Sunday. Without the backing of Spain's government, the result would not be legally binding but a clear 'yes' vote could put significant pressure on the country to cede control of the north-eastern region. Catalan 10-year regional bond yields rose (prices fell) in anticipation of the vote. Catalonia accounts for more than 25% of Spain's exports, according to its regional government.



YELLEN STIRS US YIELDS

The yield available on two-year US government bonds has risen to its highest level since 2008, 1.47%, after Janet Yellen, chair of the Federal Reserve (Fed), said the central bank needs to press on in raising interest rates gradually, despite uncertainty about the outlook for inflation. Yields move inversely to the price of bonds – whose allure is dented by rate hikes, which raise the appeal of cash. If the Fed were to refrain from raising rates again, 'the labour market could eventually become overheated, potentially creating an inflationary problem down the road,' Yellen said.



STORMY OUTLOOK FOR BOMBARDIER

Bombardier flew into a storm last week, when the Canadian aerospace group became embroiled in a dispute over government subsidies. The company was accused by rival Boeing of selling the C Series passenger jet into the US at below cost, due to support from Canada and the UK. The US Department of Commerce, upholding the claim, suggested tariffs of up to 220% should be imposed on Bombardier. That could mean misery for the group's workforce in Canada and its 4,000 employees in Northern Ireland. Bombardier, whose shares dropped 7.5% on the day after the announcement, will appeal.

OIL - A SLICK MOVE



THE PRICE OF BRENT
CRUDE HAS TOUCHED

US\$59

ITS HIGHEST SINCE JULY 2015

US\$ PER BARREL

2015

2016

2017



The gains come amid increasing global demand and a threat to Kurdish oil exports.



An overwhelming **93%** of Iraqi Kurds voted for independence, stirring a hostile response from Iraq's government and Turkey.

The move means oil has risen by over **10%**

Source: Bloomberg, as at 28 September 2017.

MARKET DATA – % CHANGE IN WEEK ENDING 29/09/2017

	LAST VALUE	% CHANGE
EQUITIES		
FTSE All-Share (UK)	4,046	+0.94%*
MSCI All Country World	485	+0.33%*
S&P 500 (US)	2,510	+1.02%*
Stoxx 600 (Europe)	387	+0.96%*
Topix (Japan)	1,675	+2.10%*
MSCI Asia ex Japan	656	-1.65%*
MSCI Emerging Markets	1,072	-2.04%*
FIXED INCOME		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	588	-0.20%
10-year Gilt yield	1.36%	+0.00%**
10-year US Treasury yield	2.31%	+0.06%**
10-year Bund yield	0.46%	+0.01%**
10-year Japanese government bond yield	0.07%	+0.03%**
COMMODITIES		
Gold (US\$, per troy ounce)	1,288	-0.68%
Brent Crude (US\$, per barrel)	57.67	+1.42%
CURRENCIES		
GBP/USD	1.34	-0.95%
GBP/EUR	1.13	+0.26%

Source: All data sourced from Bloomberg as at 11.30am, 29 September 2017. *In GBP terms. **Yields move inversely to prices.

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