

FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

SHARES TOUCH RECORD HIGHS

WEEK ENDING 2 JUNE 2017



SHARES SHINE STRONGLY AT START OF JUNE

Several developed world stock market indices touched record highs during the week, buoyed by just the right combination of optimism about economic growth, and belief that central bank policy remains highly supportive of recovery. The Japanese stock market was an especially strong performer. The yen has weakened over recent months, helping Japanese exporters, while Nissan and Honda recently reported good sales. In the UK, a similar currency effect has been supportive of shares. In the US, the S&P 500 reached a record high during the week, as did the technology-rich Nasdaq, whose return this year is almost double that of the broader-based index.



INVESTORS ENJOY GILTY PLEASURES

The yield on the 10-year UK Gilt dipped below 1% during last week for the first time since last October, though it rose later in the week. Yields move inversely to prices. Investors are attracted to the perceived safety of UK government bonds during times of uncertainty, and with the UK general election just days away, uncertainty is plentiful. Gilts have outperformed their European and US equivalents in 2017, aided by weaker UK economic growth numbers and the decreased likelihood of an imminent rise in interest rates. Recent polls suggest all is play for in the general election; the result will be announced on 9 June.



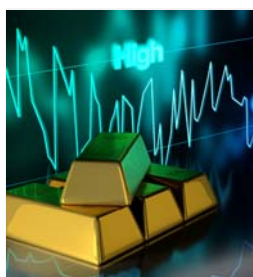
BANKING ON BETTER TIMES

Shares in US banks have performed badly of late. The chat amongst traders is that forthcoming results won't be great compared with this time a year ago; a combination of low levels of trading activity and slower loan growth. Banking shares had been driven higher on the belief that President Donald Trump could propel economic growth higher, as well as loosen the grip of banking regulation. But Trump's difficulties in pushing through reforms have resulted in such hopes abating. Goldman Sachs fell by 3.8% on the week, while JP Morgan decreased by 2.7%.



IS INDIA SET FOR A SLOWDOWN?

It has been all good news since the Indian prime minister, Narendra Modi, came to power in May 2014: Modi's ambitious economic reform plans have been met positively by voters and investors alike but is the shine wearing off? Indian economic growth slowed to an annualised rate of 6.1% in the first three months of the year, down from 7% in the final quarter of 2016. While some commentators blame the weaker numbers on the ongoing effects of last November's ban on high-value bank notes (a crackdown on counterfeiting), others point to signs of more general economic malaise.



GOLD MOVES QUIETLY HIGHER

Gold has been quietly rising in price, and enjoyed its fifth consecutive month of gains in May. The yellow metal, viewed by many investors as a 'safe haven' asset, has risen by some 12% since its December 2016 lows and now sits at US\$1,265 per ounce. That said, it remains some distance from its all-time high of US\$1,900, recorded in September 2011. Aside from investors seeking its 'safe haven' qualities, recent price strength owes much to a weaker US dollar: a softer dollar, the currency in which gold is denominated, makes gold cheaper for non-dollar buyers. It has also been helped by Trump's political troubles.

'WE'RE GETTING OUT'

President Trump has confirmed his decision to pull out of the Paris accord on climate change

Paris accord The agreement is designed to limit global warming to well below 2°C

As at 07 May 2017, **195** nations were signatories*. Syria and Nicaragua are not.

US is the 2nd largest polluter after **China**

Scientists estimate that the withdrawal by the US could create an extra **1.8 gigatonnes**** of CO₂ emissions p.a. by **2030**

Source: *Climate Analytics **Scientific American.

MARKET DATA – % CHANGE IN WEEK ENDING 2/06/2017

	LAST VALUE	% CHANGE
EQUITIES		
FTSE All-Share (UK)	4,140	+0.29%*
MSCI All Country World	466	-0.22%*
S&P 500 (US)	2,430	-0.06%*
Stoxx 600 (Europe)	394	+0.79%*
Topix (Japan)	1,612	+2.11%*
MSCI Asia ex Japan	621	-0.72%*
MSCI Emerging Markets	1008	-1.48%*
FIXED INCOME		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	602	-0.68%
10-year Gilt yield	1.05%	+0.04%**
10-year US Treasury yield	2.21%	-0.04%**
10-year Bund yield	0.29%	-0.04%**
10-year Japanese government bond yield	0.06%	+0.01%**
COMMODITIES		
Gold (US\$, per troy ounce)	1,263	-0.30%
Brent Crude (US\$, per barrel)	49.40	-5.27%
CURRENCIES		
GBP/USD	1.29	+0.41%
GBP/EUR	1.15	+0.01%

Source: All data sourced from Bloomberg as at 12.00pm, 2 June 2017. *In GBP terms. **Yields move inversely to prices.

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