

FOR RETAIL INVESTORS

# WEEKLY MARKET ROUND-UP

## AN OPTIMISTIC TONE FROM THE BOE

WEEK ENDING 3 FEBRUARY 2017



### BONDS RALLY ON POLITICAL RISK WORRIES

Global stock markets inched down, with the MSCI All Country World index retreating from its highest level since 2015, amid a flurry of meetings by key central banks and as political risk continued to dominate investor attention. The Trump administration tested some of the US's traditional alliances with its policy initiatives; in Europe, French presidential posturing continued apace. The US dollar declined against major rivals for a fourth straight week. Meanwhile, bond markets rallied after the US Federal Reserve kept interest rates steady and the Bank of England signalled it was some way from raising rates.



### BOE PAINTS ROSIER PICTURE OF UK

The Bank of England (BoE) on Thursday upgraded its growth forecasts for the next three years, as it left interest rates at a record low. Following the publication of its quarterly inflation report, the central bank said it expected the UK economy to expand 2% this year, versus its previous estimate of 1.4% to 1.6% next year and 1.7% in 2019. Despite these cheerier projections, sterling slipped and the UK government debt market bounced as the BoE suggested that it was not close to raising interest rates any time soon. Higher rates lift bond yields – which move inversely to prices – at the same time as making the pound more attractive to investors.



### GERMAN ECONOMY FORGES AHEAD

Shrugging off global geopolitical and macroeconomic concerns, the German labour market beat expectations in January. And at 5.9%, the jobless rate is now at its lowest since the reunification of the country in 1990. Meanwhile, the German economy grew at a faster-than-expected rate in 2016, by 1.9%, its largest annual expansion since 2011. But positive economic data in the eurozone's largest economy isn't good news for everyone; increasing the likelihood of higher inflation and wage pressure in 2017, pressure could increase on the European Central Bank to withdraw economic stimulus.



### HAVE YOU HAD YOUR WEETABIX?

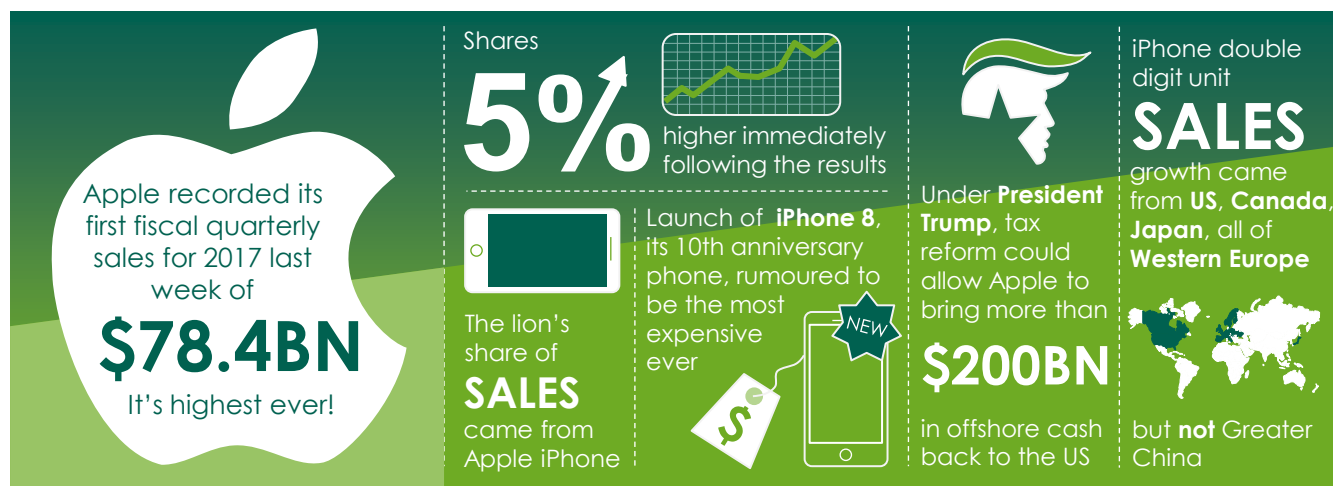
Let's hope so, because the price of the wheat-based cereal is about to rise... Last week, Giles Turrell, chief executive of Weetabix, announced that due to the weaker pound the higher cost of US dollar-denominated wheat means Weetabix prices are likely to rise by 'mid-single digits' this year. Bright Food, one of China's largest food manufacturers, is currently trying to offload its majority shareholding in the cereal producer. Weetabix isn't the only high profile UK brand to be affected by weaker sterling: so too have Marmite, Birds Eye fish fingers and Mr Kipling cakes.



### RUSSIAN SHARES BOOSTED BY TRUMP-PUTIN BROMANCE

Shares in Russian companies have roared ahead since the election of Donald Trump. Investors in the Russian stock market are hoping the new US president will lift or ease sanctions, encouraged by his friendly comments about Russian President Vladimir Putin. Since the election, over which US intelligence agencies have accused Russia of interfering, Russia's local equity index, the Micex, is up 12.7% in ruble terms, or 18.8% in sterling terms. One of Barack Obama's last acts as US president was to extend the sanctions; they were introduced in 2014 because of Russia's use of force in Ukraine.

## APPLE: EATING INTO COMPETITOR SALES



## MARKET DATA – % CHANGE IN WEEK ENDING 03/02/2017

	LAST VALUE	% CHANGE
<b>EQUITIES</b>		
FTSE All-Share (UK)	3,903	+0.15%*
MSCI All Country World	434	-0.55%*
S&P 500 (US)	2,281	-0.73%*
Stoxx 600 (Europe)	364	+0.33%*
Topix (Japan)	1,515	-0.01%*
MSCI Asia ex Japan	548	-0.19%*
MSCI Emerging Markets	915	-0.23%*
<b>FIXED INCOME</b>		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	602	+0.91%
10-year Gilt yield	1.40%	-0.07%**
10-year US Treasury yield	2.49%	0.00%**
10-year Bund yield	0.44%	-0.02%**
10-year Japanese government bond yield	0.10%	+0.02%**
<b>COMMODITIES</b>		
Gold (US\$, per troy ounce)	1,212	+1.71%
Brent Crude (US\$, per barrel)	56.86	+2.41%
<b>CURRENCIES</b>		
GBP/USD	1.25	-0.57%
GBP/EUR	1.16	-0.80%

Source: All data sourced from Bloomberg as at 12.05pm, 3 February 2017. \*In GBP terms. \*\*Yields move inversely to prices.

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