

FOR RETAIL INVESTORS

# WEEKLY MARKET ROUND-UP

## CENTRAL BANKERS STIR RATES DEBATE

WEEK ENDING 30 JUNE, 2017



### EURO, STERLING SURGE; BONDS MARKETS SLIP

The top central bankers for the euro area and UK raised the prospect of a reduction in stimulus policies (see below) – including record-low interest rates – prompting their respective currencies to jump versus the US dollar. The euro-area and UK bond markets dropped as investors factored in higher rates, which tend to lift bond yields (prices move inversely to yields). Company shares worldwide also slipped, with the MSCI All Country World index retreating from close to a record peak. Financial stocks bucked the trend, though, as higher rates typically help to boost bank profits.



### NOTE TO MARIO: SAY WHAT YOU MEAN

It wouldn't be the first time markets have misread the carefully crafted words of Mario Draghi, European Central Bank (ECB) president. Investors on Tuesday took a speech at a conference in Portugal by Draghi to augur the end of the central bank's asset-purchase programme. Not so, ECB officials were reported as saying on Wednesday: investors had 'misjudged' the speech. After see-sawing somewhat on the comments, the euro went on to hit a new high for the year versus the dollar, perhaps reflecting investors looking past the affair to focus on the euro area's improving economic backdrop.



### NEW RANSOMWARE ATTACK HITS GLOBAL FIRMS

The latest ransomware virus to have infected computers may initially have been targeting Ukraine, but has also disrupted computers at Rosneft, Russia's largest oil company, Danish shipping giant Maersk, and advertising giant WPP. The virus, known as Petya, locked thousands of users out of their files, demanding a US\$300 ransom. Meanwhile, shares in many cybersecurity firms have boomed, as companies try to batten down the hatches. Shares in London-listed Sophos are up 68.8% in the year to date in sterling terms; New York-listed FireEye has gained 30.1% and Symantec has advanced 17.5%, in US dollar terms.



### MARK CARNEY – UNRELIABLE BOYFRIEND?

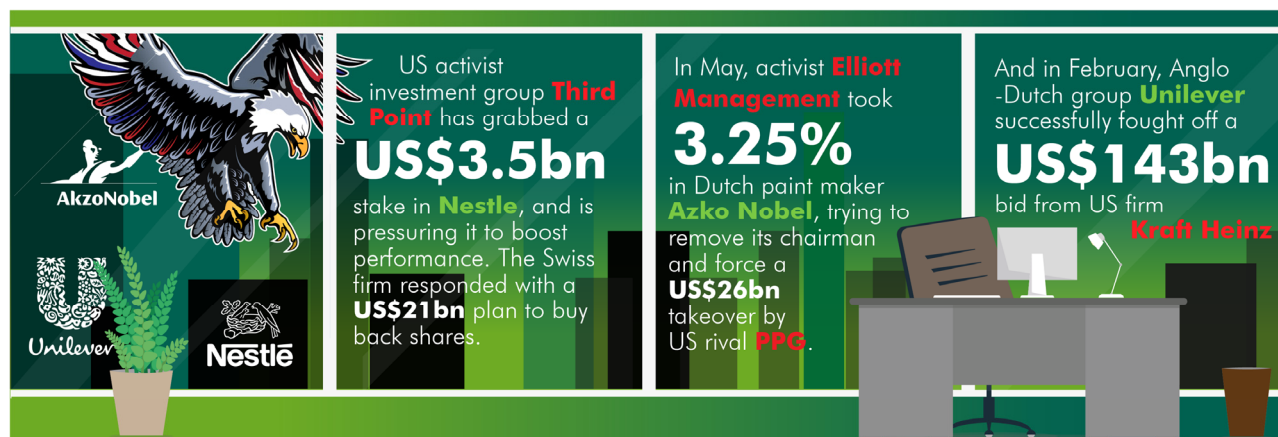
Bank of England (BoE) Governor Mark Carney on Wednesday said, 'some removal of monetary stimulus is likely to become necessary,' prompting a surge in sterling as investors took the comments to mean a higher probability of interest rates rising soon. The remark was seen as particularly significant, as Carney had said only a week earlier that 'now is not yet the time' to raise rates. Only time will tell whether he has indeed changed tack, but the situation echoes a moment in 2014 when an MP accused the BoE chief of acting like an 'unreliable boyfriend' on his hints about rates.



### EU SLAPS RECORD US\$2.7BN FINE ON GOOGLE

Shares in Alphabet hit a blip after a record US\$2.7bn fine was imposed on its subsidiary Google by the EU's competition authority. European Commissioner Margarethe Vestager said Google had abused its dominance as a search engine to boost its own shopping comparison product. Following the move, Alphabet's A shares fell 4.9% on the week in US dollar terms, underperforming the wider US market. Still, in the year to date, Alphabet shares are up 18.3% – more than double the rise enjoyed by the S&P 500 stock index and well ahead of the 8.5% gain by the technology-rich Nasdaq Composite.

## US INVESTORS STALK EUROPEAN CONSUMER GIANTS



Source: Bloomberg, Reuters.

## MARKET DATA – % CHANGE IN WEEK ENDING 30/06/2017

### EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,029	-0.82%*
MSCI All Country World	466	-2.25%*
S&P 500 (US)	2,420	-2.82%*
Stoxx 600 (Europe)	383	-1.41%*
Topix (Japan)	1,612	-2.47%*
MSCI Asia ex Japan	629	-1.72%*
MSCI Emerging Markets	1,014	-1.68%*

### FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	600	-2.11%
10-year Gilt yield	1.24%	+0.21%**
10-year US Treasury yield	2.27%	+0.12%**
10-year Bund yield	0.44%	+0.18%**
10-year Japanese government bond yield	0.09%	+0.03%**

### COMMODITIES

Gold (US\$, per troy ounce)	1,244	-1.04%
Brent Crude (US\$, per barrel)	47.75	+4.85%

### CURRENCIES

GBP/USD	1.30	+2.01%
GBP/EUR	1.14	+0.10%

Source: All data sourced from Bloomberg as at 12.00pm, 30 June 2017. \*In GBP terms. \*\*Yields move inversely to prices.

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