



FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

EARNINGS BOOST FOR SHARES

WEEK ENDING 4 AUGUST, 2017



STOCK MARKETS, GOVERNMENT BONDS ADVANCE

Company shares worldwide climbed, with the MSCI All Country World Index renewing its recent rally in sterling terms, as companies reported broadly better-than-expected earnings for the second quarter of the year. Still, concerns over US political risk restrained investors' appetite for risk, spurring gains in perceived 'safe haven' government debt. Bonds were also boosted by signals that major central banks may remove stimulus at a slower pace than anticipated – in particular the Bank of England, whose downbeat forecasts on Thursday prompted sterling to give back some gains versus the US dollar.



BOEING FOR GOLD

The share price of Boeing, the US aviation company, soared to a record high following second-quarter results that beat investor expectations. Boeing's shares have flown over the past 12 months, rising a whopping 82% – and up 53% this year alone. In contrast, the S&P Aerospace & Defence Select Index (Boeing's peers) has posted a fraction of those returns, delivering a nevertheless impressive 29% over 12 months and 18% year to date. So what has propelled Boeing's shares that much higher? Aggressive cost-cutting, improved efficiency and new orders that have outstripped those of its rivals.



IRAQ JOINS BOND BONANZA

Hot on the heels of Greece and Argentina, Iraq is the latest troubled country to have sold debt to international investors hungry for higher yields than those offered by developed and significantly less racy economies. The war-ravaged nation issued US\$1bn of bonds maturing in 2023, with a yield of 6.75% – a level lower than initially planned due to the high level of demand. The debt sale comes after the country declared victory over so-called Islamic State in Mosul, its second-largest city. The fact that the country has the world's fifth-largest oil reserves may have also helped to sway investors.



FEEL THE FLOWS

Investors can't get enough of emerging markets, it seems. In the year to date, cumulative flows into funds of both bonds and shares (of countries such as Brazil, Russia and China) have totalled around US\$90bn, according to US-based fund monitor EPFR. The reasons? Stable economic growth, higher yields on offer than developed markets and narrowing trade balances, for starters. But a lack of corporate governance in the region, namely undeveloped practices over how companies are controlled, and historically sharp fluctuations in local currencies have meant some investors remain firmly on the sidelines.



THE ULTIMATE SPENDING SPLURGE

What can £200m (€222m) buy you? Well, you could take your pick of high street UK businesses such as Mothercare, Carpetright or Topps Tiles and have at least £30m left over as spending money. Or you could purchase AS Roma, Italy's fourth most successful football club. Or if you are the cash-rich and Qatar-backed French club Paris St Germain, you could smash the world transfer record and buy Neymar da Silva Santos Júnior (known as Neymar) from Barcelona for £200m. The previous record was the paltry £89m that Manchester United paid to entice Paul Pogba away from Juventus last summer.

NO SMOKE WITHOUT FIRE

Tobacco shares fall on the latest US Food and Drug Administration's (FDA) move



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MARKET DATA – % CHANGE IN WEEK ENDING 04/08/2017

EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,091	+1.31%*
MSCI All Country World	479	+0.33%*
S&P 500 (US)	2,472	-0.06%*
Stoxx 600 (Europe)	379	+1.14%*
Topix (Japan)	1,631	+1.10%*
MSCI Asia ex Japan	654	+0.25%*
MSCI Emerging Markets	1,064	+0.04%*

FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	606	+0.58%
10-year Gilt yield	1.15%	-0.07%**
10-year US Treasury yield	2.23%	-0.06%**
10-year Bund yield	0.46%	-0.09%**
10-year Japanese government bond yield	0.07%	-0.01%**

COMMODITIES

Gold (US\$, per troy ounce)	1,269	-0.03%
Brent Crude (US\$, per barrel)	51.63	-1.69%

CURRENCIES

GBP/USD	1.31	+0.10%
GBP/EUR	1.11	-1.01%

Source: All data sourced from Bloomberg as at 11.00am, 4 August 2017. *In GBP terms. **Yields move inversely to prices.

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