

FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

OIL AND GOLD RALLY

WEEK ENDING 7 APRIL 2017



OIL SPIKES AS TRUMP ACTS AGAINST SYRIA

Prices of oil and gold rose, and the dollar fell on the news that the US had launched missiles against a Syrian airfield, in response to a chemical attack against civilians in rebel-held northern Syria. Government bonds, which like gold are seen as a safe haven, firmed. Company shares initially softened, but generally markets took the news calmly, perhaps waiting to see whether the US action is to be a one-off event or if the Trump administration becomes distracted from its economic stimulus plans. Over the week, company shares in emerging markets continued recent outperformance of those in developed countries.



FED MULLS TRIM WHILE ECB PLEDGES SUPPORT

Most policymakers at the US Federal Reserve (Fed) expect to begin reducing the central bank's US\$4.5 trillion of assets later this year if the economy continues to improve, according to the minutes from their latest meeting. While US bonds have risen somewhat of late, they remain close to their lowest levels since 2014, as investors factor in a series of expected interest rate hikes by the Fed. In Europe, meanwhile, policy continues to point in the other direction: the European Central Bank will maintain its policies to support the economy for some time to come, its president, Mario Draghi, said on Thursday.



ARGENTINA TURNAROUND?

Long dogged by political infighting, corruption and a lack of international credibility, at last there seems to be some cause for optimism with regards to the Argentine economy. Since taking power in 2015, President Mauricio Macri's sole focus has been to reset the country's ailing economic position; the economy was close to collapse when he replaced Cristina Fernández de Kirchner. Last week the rating agency Standard & Poor's provided a welcome boost, raising the country's credit rating from 'B-' to 'B'; although still considered poor quality, it is an important step in the right direction.



UNILEVER TO SHED ITS SPREADS

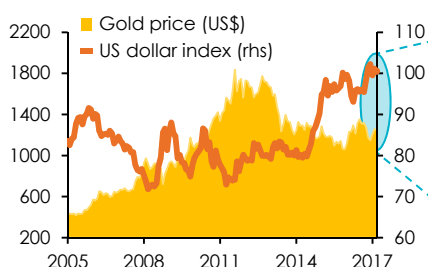
I can't believe it's not butter – unfortunately for Unilever, it seems this is not a sentiment shared by the end consumers of the company's well-known spread. Less than two months after Kraft Heinz's failed bid for the UK conglomerate, Unilever has announced a far-reaching strategic revamp that will see the disposal of its struggling spreads business that includes I Can't Believe It's Not Butter and Flora. The consumer giant has also revealed that it will buy back €5bn of shares, increase its dividend by 12% and combine its food and refreshment business. Change is afoot.



GOPRO EYES FRESH DOUGH

Is GoPro, the Silicon Valley-based manufacturer of robust wearable cameras, losing focus? Last week the company announced it is hoping to raise some US\$150m in the debt markets in an effort to turn around a business that suffered a whopping net loss of more than US\$400m in 2016. GoPro has suffered a sharp drop in sales for its action cameras as cheaper rivals emerge, and has been aggressively cutting costs, including personnel. The company's share price has fallen an eye-watering 91% since its 2014 peak and now sits around the US\$8 mark.

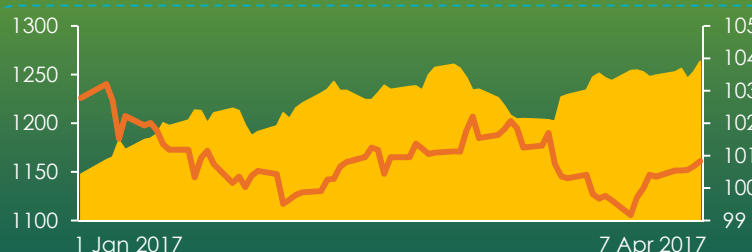
As the chart shows, gold and the US dollar often move inversely to each other. After the financial crisis of 2008, quantitative easing (QE) weakened the dollar and made gold attractive. As QE ended and interest rates were raised, the dollar rose compared to gold, which pays no interest.



Source: Bloomberg, as at 7 April 2017. The US dollar index averages exchange rates between the dollar and major world currencies.

GOLD RALLIES AS DOLLAR WEAKENS

Gold has risen 9% so far this year, as geopolitical risks have drawn investors toward this traditional safe haven asset. By contrast the US dollar, after a strong run during the last few years, has weakened of late.



MARKET DATA – % CHANGE IN WEEK ENDING 7/04/2017

	LAST VALUE	% CHANGE
EQUITIES		
FTSE All-Share (UK)	3,992	+0.19%*
MSCI All Country World	448	+0.29%*
S&P 500 (US)	2,357	+0.36%*
Stoxx 600 (Europe)	380	+0.10%*
Topix (Japan)	1,490	0.00%*
MSCI Asia ex Japan	585	+1.05%*
MSCI Emerging Markets	963	+1.08%*
FIXED INCOME		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	608	+0.27%
10-year Gilt yield	1.08%	-0.06%**
10-year US Treasury yield	2.32%	-0.07%**
10-year Bund yield	0.24%	-0.09%**
10-year Japanese government bond yield	0.06%	-0.01%**
COMMODITIES		
Gold (US\$, per troy ounce)	1,264	+1.21%
Brent Crude (US\$, per barrel)	55.38	+4.83%
CURRENCIES		
GBP/USD	1.24	-1.00%
GBP/EUR	1.17	-0.76%

Source: All data sourced from Bloomberg as at 12.00pm, 4 April 2017. *In GBP terms. **Yields move inversely to prices.

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