



FOR RETAIL INVESTORS

# WEEKLY MARKET ROUND-UP

## MAY FALLS SHORT

WEEK ENDING 9 JUNE 2017



### SHARES GRAPPLE WITH POLITICAL WORRIES

Company shares weakened slightly on the back of the political storm clouds forming around the testimony of former FBI director James Comey in the US, and the general election in the UK (see below), despite brightening economic prospects. The pound dipped after the UK returned a hung parliament but the reaction was gentle compared to the dumping of sterling after the Brexit referendum a year ago. Oil fell, touching its lowest levels of the year. Strength in gold continued. US government bond yields firmed ahead of a decision by the Federal Reserve on interest rates.



### MAYHEM FOLLOWING UK ELECTION SHOCK

Two months after calling a snap general election in the hope of bolstering her parliamentary majority, UK Prime Minister Theresa May woke up on Friday with egg on her face. Having entered the campaign with a small majority, the Conservatives emerged without one at all – although the Tories gained the most seats. Labour's share of the vote rose to its highest level since 2001. As of noon on Friday, while May's future as leader was in doubt, her party was set on forming a minority government with the backing of Northern Ireland's Democratic Unionist Party. Brexit negotiations begin in a week...



### RATE CUTS, WHAT RATE CUTS?

The European Central Bank (ECB) abandoned a pledge to take interest rates even lower if necessary. In a change to its so-called 'forward guidance' to investors, the ECB indicated that it may begin to consider winding down its package of stimulus measures. Still, the ECB reiterated its promise to continue purchasing €60bn of assets a month, at least until December. While the euro edged lower after the comments, the currency has powered higher against the dollar in recent months, partly reflecting an improvement in euro-area economic data that suggests the region's recovery is gathering pace.



### COMEY VS TRUMP: HIGH NOON IN WASHINGTON

James Comey, the FBI chief fired by US President Donald Trump, said the White House lied about him and the agency. Comey branded Trump's explanation of his dismissal as 'lies, plain and simple,' in testimony that may bolster investigations into allegations of collusion between the US president's team and Russia. Trump's lawyer later disputed Comey's account of his dealings with the president and said the former FBI chief had confirmed Trump 'was not under investigation' as part of any Russia probe. The US dollar has weakened in recent months amid the crisis engulfing the White House.



### SANTANDER: A GOOD BANK BAILOUT

While news of yet another bank bailout may produce the usual groans, commentators say this time really is different. Banco Santander's rescue of its smaller Spanish rival, Banco Popular, is a litmus test of the European Union's new bank bailout regime. The deal, orchestrated by the European Central Bank, is designed to do what bailouts should do: let those who are prepared to take risk, take the risk. Losses from Banco Popular will be borne by shareholders and some debt holders; this time around, the taxpayer is not being asked to stump up a single euro.

## SPIRITS ARE ON THE RISE IN EUROPE



## MARKET DATA – % CHANGE IN WEEK ENDING 09/06/2017

	LAST VALUE	% CHANGE
<b>EQUITIES</b>		
FTSE All-Share (UK)	4,090	-0.85%*
MSCI All Country World	467	-0.84%*
S&P 500 (US)	2,434	-0.61%*
Stoxx 600 (Europe)	389	-0.69%*
Topix (Japan)	1,592	-0.21%*
MSCI Asia ex Japan	630	+0.59%*
MSCI Emerging Markets	1,019	+0.03%*
<b>FIXED INCOME</b>		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	602	-0.54%
10-year Gilt yield	1.01%	-0.03%**
10-year US Treasury yield	2.20%	+0.04%**
10-year Bund yield	0.26%	-0.02%**
10-year Japanese government bond yield	0.06%	0.00%**
<b>COMMODITIES</b>		
Gold (US\$, per troy ounce)	1,275	-0.36%
Brent Crude (US\$, per barrel)	48.06	-3.78%
<b>CURRENCIES</b>		
GBP/USD	1.28	-1.02%
GBP/EUR	1.14	-0.19%

Source: All data sourced from Bloomberg as at 12.00pm, 9 June 2017. \*In GBP terms. \*\*Yields move inversely to prices.

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