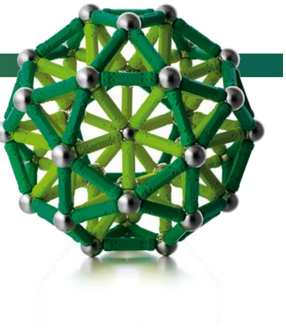
OLD MUTUAL GLOBAL INVESTORS



FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP
OIL SOARS AS EQUITIES PAUSE

WEEK ENDING 2 DECEMBER 2016

STOCK MARKET RALLY HALTS, BOND WEAKNESS PERSISTS

Global stock markets slipped, trimming gains notched up following the US election, as government bonds continued to drop on investor concerns that inflation will pick up. Inflation eats away at the value of the fixed payments offered by bonds. On the MSCI All Country World index, energy shares were the biggest gainers, as oil prices surged (see below). The currencies of advanced economies with large energy sectors, like Norway and Canada, strengthened against the US dollar. Elsewhere, sterling gained versus the greenback amid signs the UK may be heading for a so-called 'soft' Brexit.

OPEC ACCORD FIRES UP OIL PRICES

The OPEC group of oil-producing nations agreed to its first output cut since the global financial crisis – defying its doubters and pushing crude prices sharply higher. Following talks in Vienna, the cartel, which pumps a third of the world's oil, said it would cut production by 1.2m barrels a day for six months from the start of January. The group's three largest producers – Saudi Arabia, Iran and Iraq – overcame disagreements to sign the accord, which is aimed at draining record global oil inventories. Brent crude futures, the global benchmark for oil prices, spiked after the deal was reached on Wednesday.

RBS FAILS BANK OF ENGLAND STRESS TEST

The Royal Bank of Scotland (RBS) failed the Bank of England's latest stress test, designed to assess the resilience of banks in the face of key risks. RBS, which was bailed out during the financial crisis of 2008, and is today 73% owned by the government, will have to cut costs and risky assets after not matching up to the Bank of England's criteria. Lloyds, HSBC, Santander UK and Nationwide passed the test, as did Standard Chartered although it struggled to do so. The Bank of England's list of key global risks included: rapid debt growth in China, Europe's troubled banking system and Brexit.

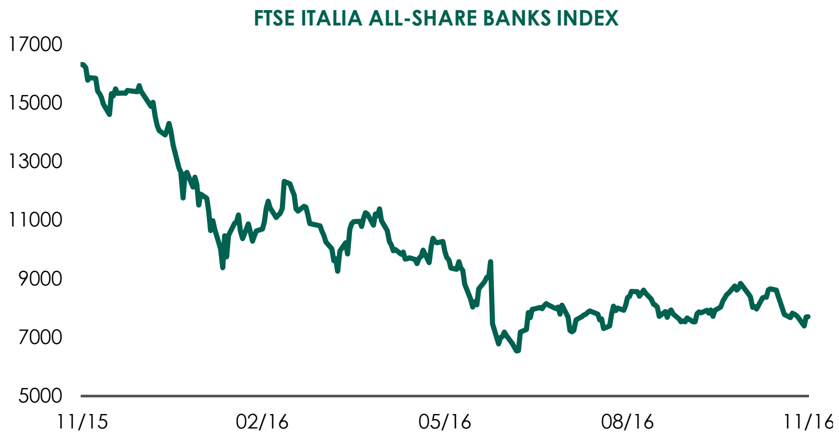
'TRUMPENOMICS' GETS THE THUMBS UP

While US President-elect Donald Trump busies himself with the task of building his government team, he received some good news last week as the Organisation for Economic Co-operation and Development (OECD) gave a broad thumbs up to the Republican's economic plans. The international organisation predicted that Trump's proposed policies of sizeable infrastructure spending plans and lower taxes could increase US growth, combat inequality and energise discouraged workers. However, the OECD tempered its comments by warning of the perils of trade protectionism. It expects the US to be the fastest-growing large advanced economy in 2017, growing by 2.3%.

CENTRAL BANK CHIEFS TRADE BLOWS OVER BREXIT

European Central Bank President Mario Draghi has warned that the UK has the most to lose from leaving the European Union. If the UK economy were to become less open in terms of trade, migration and foreign direct investment, it would have a negative impact, he cautioned. "Such developments would first and foremost weigh on the UK economy," he said, adding that they would also have 'spillover effects' on the eurozone. Two days later, the governor of the Bank of England, Mark Carney, said that a disruption to London's financial sector – a potential casualty from a hard Brexit – could hit vital fund flows in the euro area, denying businesses much-needed finance.

ITALY'S BANKING WOES: NO REFERENDUM RESPITE



As Sunday's Italian referendum loomed large, there was little respite for the country's beleaguered bank sector. The sector, as measured by the FTSE Italia All-Share Banks Index has fallen by over 50% in the past 12 months. There was further share price weakness last week ahead of the vote on reforming the country's constitution, and the potential resignation of Prime Minister Matteo Renzi should the proposal fail – a promise he has vowed to fulfil.

Fears of the risks to the financial system have been a major factor behind the struggling Italian bank sector and further economic and political uncertainty could provide another major setback.

MARKET DATA – % CHANGE IN WEEK ENDING 02/12/2016

EQUITIES	LAST VALUE	% CHANGE
FTSE All-Share (UK)	3,640	-2.10%*
MSCI All Country World	412	-1.56%*
S&P 500 (US)	2,191	-1.94%*
Stoxx 600 (Europe)	337	-2.38%*
Topix (Japan)	1,478	-1.05%*
MSCI Asia ex Japan	527	-0.08%*
MSCI Emerging Markets	858	-0.68%*
FIXED INCOME		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	754	-0.16%
10-year Gilt yield	1.45%	+0.03%**
10-year US Treasury yield	2.43%	+0.07%**
10-year Bund yield	0.34%	+0.10%**
10-year Japanese government bond yield	0.04%	0.00%**
COMMODITIES		
Gold (US$, per troy ounce)	1,172	-1.00%
Brent Crude (US$, per barrel)	53.12	+12.45%
CURRENCIES		
GBP/USD	1.26	+1.17%
GBP/EUR	1.19	+0.67%

Source: All data sourced from Bloomberg as at 12:03pm, 2 December 2016. *In GBP terms. **Yields move inversely to prices.

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