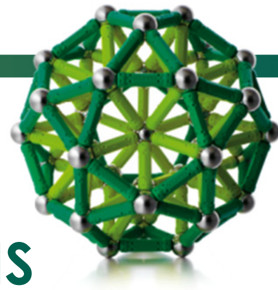
FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

NEW YEAR, NEW EQUITY MARKET HIGHS



WEEK ENDING 12 JANUARY 2018

GLOBAL STOCK MARKETS MARCH ON

Global shares rose during the first full week of the new year, as developed markets like Europe and the US more than offset weakness in Asia and emerging markets. Mining stocks were particularly strong in Europe, with the rally in commodity prices showing no signs of losing steam. The price of gold climbed to a four-month high, while Brent crude touched its highest in three years, approaching US$70. Global bond prices fell again (yields rose); indeed, the yield on the 10-year US Treasury rose to almost 2.60%, hitting its highest level since March 2017, as investors focused on the potential for faster inflation.

A FEW HOME TRUTHS

Last week UK housebuilders updated investors over trading. While statements from Persimmon, Taylor Wimpey and Barratt Developments were generally upbeat, share prices fell between 2–6%. Figures from Halifax and Nationwide indicated slowing house price growth, while the government's unwillingness to extend the Help-to-Buy scheme beyond 2021 (a scheme aiming to support new house sales) has been seen as a negative. But some things in the garden are still rosy. Those who invested in housebuilders in 2017 would be sitting on gains of anywhere between 30% and 50% for the year.

JAPANESE STOCK MARKET RALLY: BACKED BY THE BANK

The Japanese sun has been rising. The Nikkei 225 index, last week at its highest level since 1991, gained 24.7% (in local currency terms) over the past year. The reason? An economy firing on all cylinders. And a little help. The Bank of Japan has kept its stimulus pedal pressed firmly to the floor. Yields on Japanese government bonds have been crushed; investors, unable to earn a yield, have been driven to equities. And the Bank of Japan has even been buying equity exchange-traded funds – marketable securities that track an index – itself, though it could cut back on purchases this year.

US GOVERNMENT BONDS FALL ON CHINA SCARE

US government bonds fell last week on rumours that China might halt or scale back its purchases of them, perhaps in retaliation for President Donald Trump's mooted tariffs on steel and aluminium. China is the world's largest holder of US Treasuries because it earns so many dollars from its massive exports of such goods. All those dollars have to be invested somewhere. Chinese foreign exchange officials denied the rumours, and bond prices recovered slightly. Another worry for bond markets is the pace of interest rate rises, which might steepen if inflation gets out of control.

GOLD AND OIL SPARKLE

The price of gold climbed to a four-month high last week, and the metal's sparkling performance in the face of tighter US rates, though counter-intuitive, has become the norm. Since the global financial crisis, gold prices have turned higher soon after the US Federal Reserve (Fed) has raised interest rates. Gold has outperformed most major assets since the Fed last month raised rates – even Bitcoin. Oil is another commodity having a good week, trading at the highest level in three years amid the longest stretch of declines in US crude stockpiles during winter in a decade.

FAST & FURIOUS

OLDMUTUAL GLOBAL INVESTORS

*Source: Economic Sentiment Indicators, December 2017. ** Source: Bloomberg, November 2017.

MARKET DATA – % CHANGE IN WEEK ENDING 12/01/2018

EQUITIES	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,271	+0.56%*
MSCI All Country World	530	+0.75%*
S&P 500 (US)	2,768	+1.07%*
Stoxx 600 (Europe)	398	+0.32%*
Topix (Japan)	1,876	+1.21%*
MSCI Asia ex Japan	737	-0.07%*
MSCI Emerging Markets	1,197	-0.19%*
FIXED INCOME		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	591	+0.20%
10-year Gilt yield	1.32%	+0.08%**
10-year US Treasury yield	2.54%	+0.07%**
10-year Bund yield	0.58%	+0.14%**
10-year Japanese government bond yield	0.08%	+0.02%**
COMMODITIES		
Gold (US$, per troy ounce)	1,332	+0.93%
Brent Crude (US$, per barrel)	69.16	+2.28%
CURRENCIES		
GBP/USD	1.36	+0.41%
GBP/EUR	1.12	-0.36%

Source: All data sourced from Bloomberg as at 11.00am, 12 January 2018. *In GBP terms. **Yields move inversely to prices.

Building better solutions

OLDMUTUAL GLOBAL INVESTORS