



FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

CHALLENGING CONDITIONS

WEEK ENDING 26 JANUARY 2018



STERLING INVESTORS ENCOUNTER DIFFICULTIES

As world economic leaders departed the luxury Swiss ski runs of Davos for another year, investors found themselves encountering a few icy patches of their own, with stock markets hindered by the strength of sterling. Despite the global economy appearing in rude health, comments, later modified by President Trump, that the US administration was happy with a weaker dollar, lifted sterling and the yen higher, while movements in global bonds appeared relatively glacial. In Europe, central bankers confirmed their intention to continue with monetary stimulus and, for the moment, keep any interest rate rises on ice.



NETFLIX: STREAMING AHEAD

Shares in Netflix make happy viewing for investors: up 36.1% already in 2018. The media streaming company revealed a record number of 117 million subscribers, pulling in the crowds with original shows such as Stranger Things, Glow, and Orange is the New Black. Media baron Rupert Murdoch, meanwhile, is looking like yesterday's man. His 21st Century Fox's bid to take over Sky has been rebuffed by the UK regulator, which declared it not in the public interest in its current form. Disney, which is planning its own streaming service, is in the process of buying a chunk of Fox's business.



ASOS – NOT JUST ANY ONLINE RETAILER

The UK online fashion and beauty retailer, ASOS, is scrubbing up nicely. Having long eyed the dominance of the UK's better-established high street giants, the online operator is hot on their heels. With like-for-like sales up by 23% year-on-year to the end of December, ASOS has now overtaken household name Marks & Spencer by market capitalisation; £5.7bn to M&S's £4.9bn. With 2.6m more customers than a year earlier, the management of ASOS is understandably optimistic and the company's rapid growth is expected to continue. Its share price has risen a whopping 37% since the start of 2017.



A SILVIO LINING FOR BERLUSCONI?

This year's Italian election is just five weeks away. The country has endured much electoral turmoil since World War II – in that time it has had some 65 governments – and the 2018 edition looks predictably unpredictable. While the populist Five Star Movement is likely to gain the most votes, it is not expected to win an absolute majority; however, a coalition of former premier Silvio Berlusconi's Forza Italia with the far-right Northern League and Brothers of Italy could. While Berlusconi is currently banned from serving (a ban he is appealing), a return to the corridors of power could be on.



THE RETURN OF THE (INFLATION) SPIRITS

Economically, we know the world's a brighter place. But if confirmation was needed, last week, Japanese exports to the rest of Asia and China recorded their highest on record, in value terms. While some commentators think the prevailing strength of the yen against the US dollar could clip export growth – by making exported goods relatively more expensive – internally Japan appears to be firing on all cylinders. A recent manufacturing survey showed output growing at its fastest rate for this year, leading to hopes that much-needed inflationary spirits could be returning to the economy.

DOLLAR ROUT IS STERLING NEWS FOR OTHERS



DOLLAR INDEX WEAKEST SINCE 2014

Broad and intensifying dollar weakness lifted sterling above US\$1.40 for the first time since the Brexit vote



The euro and yen have also posted strong gains in recent days, as has gold, which traditionally moves inversely to the dollar

Source: Bloomberg as at 24 January 2018.

MARKET DATA – % CHANGE IN WEEK ENDING 26/01/2018

EQUITIES

| | LAST VALUE | % CHANGE |
|------------------------|------------|----------|
| FTSE All-Share (UK) | 4,206 | -0.78%* |
| MSCI All Country World | 547 | -1.43%* |
| S&P 500 (US) | 2,839 | -1.77%* |
| Stoxx 600 (Europe) | 400 | -1.00%* |
| Topix (Japan) | 1,879 | -1.87%* |
| MSCI Asia ex Japan | 769 | -1.05%* |
| MSCI Emerging Markets | 1,263 | -0.34%* |

FIXED INCOME

| | | |
|---|-------|----------|
| Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return | 569 | -2.01% |
| 10-year Gilt yield | 1.40% | +0.07%** |
| 10-year US Treasury yield | 2.64% | -0.02%** |
| 10-year Bund yield | 0.62% | +0.05%** |
| 10-year Japanese government bond yield | 0.08% | -0.01%** |

COMMODITIES

| | | |
|--------------------------------|-------|--------|
| Gold (US\$, per troy ounce) | 1,354 | +1.70% |
| Brent Crude (US\$, per barrel) | 70.54 | +2.81% |

CURRENCIES

| | | |
|---------|------|--------|
| GBP/USD | 1.42 | +2.81% |
| GBP/EUR | 1.14 | +0.85% |

Source: All data sourced from Bloomberg as at 11.00 am, 26 January 2018. *In GBP terms. **Yields move inversely to prices.

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