



FOR RETAIL INVESTORS

# WEEKLY MARKET ROUND-UP

## SHARE PRICES PAUSE FOR BREATH

WEEK ENDING 2 FEBRUARY 2018



### PROFIT TAKING AND INFLATION FEARS DENT MARKETS

After a long string of record highs, company shares (equities) weakened during the week. Equity markets in the United States, Europe and Asia fell back, partly due to profit taking after months of strong gains. The fundamentals of the world economy are good, and some attributed the selloff to worries that it might overheat, leading to higher prices and wages. Were the genie of inflation, which has been low for several years, to escape the bottle, central banks might raise interest rates more quickly than expected in an attempt to contain it, increasing borrowing costs for consumers and companies.



### POWELL TAKES THE HELM AT THE FED

Jerome Powell's four-year term as US Federal Reserve chairman began on 3 February, with his inheriting the role from Janet Yellen. Powell, 64, is no stranger to the central bank, having been a former Fed governor for more than five years. He helped to shape policy under Yellen and stimulus programmes under former Fed chair, Ben Bernanke. He is, however, the first chairman in more than 40 years who is not a formally-trained economist. Markets are already counting on a March interest rate increase at Powell's first meeting as chairman, which would be the sixth rise since December 2015.



### EUROPEAN CAR SALES: HITTING THE BRAKES

Structural challenges in the car industry – becoming ever more intense as the shift from diesel to electric cars accelerates – are playing havoc with profits and sales figures. Last week, shares in German car giant, Daimler, fell on news that reported sales in 2018 would be pedestrian, courtesy of big investments in new technology. The trend is not confined to Germany. In the UK, the Society of Motor Manufacturers and Traders recorded that car manufacturing actually fell in the UK for the first time since 2009 as cash-strapped consumers turned their backs on diesel vehicles.



### STEELY RESULTS

A rebound in global demand, and improving steel prices, helped propel profits of ArcelorMittal, the world's largest steel producer. The group delivered a near 30% increase in profits and restored dividend payments, following a two-year famine. While sales rose in North America, Brazil and Europe, China still appeared to be suffering from overcapacity. The generally healthier results mirrored respectable profits from other producers: Nucor of the US and South Korea's Posco. Despite the good news, shares in ArcelorMittal and Nucor slid over 3% and 4% respectively, while those of Posco were little changed.



### MACAU HITS THE JACKPOT

The Chinese are gambling again and it's paying handsome dividends for Macau's casinos. Gambling revenues in the former Portuguese colony, the only Chinese territory in which casinos are legal, were 36% higher in January than a year earlier. An anti-corruption drive, introduced by Chinese President Xi Jinping, had adversely affected revenues in recent times but a recovery is well underway; the US\$3.3bn in revenue taken in January was its highest in almost four years. Share prices of Macau's casino operators have soared over the past 12 months – Sands China is up 35% while Galaxy Entertainment is 93% higher.

# DRUG FUELLED M&A BINGE



## US\$ 30bn

Healthcare companies announced a **spree of acquisitions** in January, making it the **sector's busiest month for deal making since 2008**

France's **Sanofi** shelled out more than **US\$16bn** to take over **Bioverativ** and **Ablynx...**

...and **Celgene**, a US biotech firm, agreed to pay **US\$9bn** for **Juno Therapeutics**

Source: Bloomberg as at 31 January 2018.

## MARKET DATA – % CHANGE IN WEEK ENDING 02/02/2018

### EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,104	-2.51%*
MSCI All Country World	541	-1.89%*
S&P 500 (US)	2,822	-2.01%*
Stoxx 600 (Europe)	390	-2.37%*
Topix (Japan)	1,864	-2.26%*
MSCI Asia ex Japan	761	-2.17%*
MSCI Emerging Markets	1,249	-2.18%*

### FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	568	-0.71%
10-year Gilt yield	1.58%	+0.14%**
10-year US Treasury yield	2.79%	+0.13%**
10-year Bund yield	0.74%	+0.11%**
10-year Japanese government bond yield	0.09%	+0.01%**

### COMMODITIES

Gold (US\$, per troy ounce)	1,345	-0.31%
Brent Crude (US\$, per barrel)	69.62	-1.28%

### CURRENCIES

GBP/USD	1.42	+0.40%
GBP/EUR	1.14	-0.08%

Source: All data sourced from Bloomberg as at 11.00 am, 2 February 2018. \*In GBP terms. \*\*Yields move inversely to prices.

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