



FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

INVESTORS SHAKEN, NOT STIRRED

WEEK ENDING 09 MARCH 2018



GEOPOLITICS DOMINATES HEADLINES

Global investor pessimism over a potential trade war abated somewhat last week, as the Trump administration announced that certain countries would be exempt from the newly imposed tariffs. In Asia, shares staged a late rally as investors also took heart from the apparent thawing of relations between the US and North Korea, although Japanese shares fell on the week. In Europe, news of an easing in monetary stimulus measures, in response to a healthier economy, caused European stocks to rally. Geopolitical headlines aside, investors concluded that the economic growth backdrop remained largely intact, causing US bond yields, in particular, to rise gently and bond prices to fall.



TRUMP TRADE WAR, OR STORM IN A TEACUP?

President Donald Trump's chief economic adviser, Gary Cohn, resigned last week after failing to talk his boss out of slapping hefty tariffs on imports of steel and aluminium into the United States. Later, the tariffs were softened by the exemption of Canada and Mexico, and there were hints that other US allies could escape paying them too. Trump's ire seems directed mainly at China, which accounts for just 3% of steel imports to the US. Canada, by contrast, accounts for 17% and Mexico 9%. Both China and the European Union earlier threatened retaliation, raising the spectre of a trade war.



NORTH KOREA: COMING IN FROM THE COLD?

Optimism has broken out over one of the world's most intractable problems: North Korea. After months of insulting and threatening each other in public, the socialist state's leader Kim Jong-Un and United States president, Donald Trump, are planning to meet. Though North Korea is smaller in population than Nepal, it boasts the world's fourth largest army and an active nuclear missile programme. But now it is apparently prepared to talk about giving up nuclear weapons. The developments lifted shares in South Korea's stock market, with shares in Samsung, its largest quoted company, ending the week 8% higher.



ITALIAN STALEMATE

Italy's 66th government since the end of the Second World War might be more difficult to form than usual after Italians backed populist politicians in the general election last week. The leaders of two anti-establishment parties – the Eurosceptic Five Star Movement and the anti-immigrant Northern League party – have now become the mainstream, with both claiming the right to govern. Five Star Movement became the biggest single party with a third of the vote, largely built on support in the south. However, the leader of the Northern League, Matteo Salvini, said he had been endorsed to run the country as part of a centre-right alliance.



UK RETAILERS CHILL OUT

Freezing temperatures and heavy snow caused a raft of issues at UK retailers during the recent cold snap, nicknamed the 'Beast from the East.' Sales at John Lewis fell by 5% during the week that temperatures plunged below -10 degrees Celsius. Burst water pipes disrupted work at Jaguar Land Rover and Cadbury plants for several days. It wasn't all bad, though. Grocery retailer, Waitrose, which comes under the John Lewis umbrella, reported that canned soup sales surged by 50% and crumpets by 35% as Brits battened down the hatches to escape the worst of the big freeze.

PUTIN THE SHOE-IN



With Russia soon to go to the polls, President Vladimir Putin is set for 're-election.'

Victory would take him to 22 years at Russia's helm.

Since he came to power in 2000, Russia's stock market, the MICEX, has risen by 350%*, versus 59%* for the MSCI AC World Index.



Under Putin's leadership, Sberbank, Russia's largest listed company, has risen by a mouth-watering 9,000%*.

*Source: Bloomberg as at 07/03/2018 in US dollar terms.

MARKET DATA – % CHANGE IN WEEK ENDING 09/03/2018

EQUITIES	LAST VALUE	% CHANGE
FTSE All-Share (UK)	3,980	+2.18%*
MSCI All Country World	520	+1.37%*
S&P 500 (US)	2,739	+1.50%*
Stoxx 600 (Europe)	377	+2.25%*
Topix (Japan)	1,715	-0.98%*
MSCI Asia ex Japan	728	+0.67%*
MSCI Emerging Markets	1,195	+0.85%*
FIXED INCOME		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	583	-0.40
10-year Gilt yield	1.50%	+0.02%**
10-year US Treasury yield	2.88%	+0.01%**
10-year Bund yield	0.64%	-0.01%**
10-year Japanese government bond yield	0.05%	-0.02%**
COMMODITIES		
Gold (US\$, per troy ounce)	1,320	-0.21%
Brent Crude (US\$, per barrel)	64.26	-0.17%
CURRENCIES		
GBP/USD	1.38	+0.08%
GBP/EUR	1.12	+0.29%

Source: All data sourced from Bloomberg as at 11.00am, 09 March 2018. *In GBP terms. **Yields move inversely to prices.

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