



FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

TRADING PLACES

WEEK ENDING 13 APRIL 2018



INVESTORS SWAP GEOPOLITICAL TENSIONS FOR TRADE HOPES

After a shaky start, global shares, with the exception of Japan, ended last week in positive territory as jingoistic rhetoric from the White House towards Syria abated. Instead, investors focused on news of the Trump administration exploring the option of revisiting the Trans-Pacific Partnership – the US president having abandoned the pact with 11 predominantly Pacific Rim countries on first entering office. Better-than-expected US company results also lifted sentiment, particularly US banking shares. Oil prices pulled back from a four-year spike but still ended higher. Global bond yields rose (prices fell) on the broadly held view that US interest rates might actually increase faster than expected.



FACEBOOK FACES ITS CRITICS

Facebook CEO, Mark Zuckerberg, won 'likes' from the stock market for his performance giving testimony before the US Congress. 33-year old Zuckerberg, who founded the US\$483bn company in his Harvard dorm room, swapped his trademark grey T-shirt for a dark suit and tie, apologising for Facebook's failures in safeguarding user data. However, he defended the company's advertising-based business model. Facebook shares, which lost 10.4% in March amid reports that political consultant, Cambridge Analytica, had improperly obtained Facebook data have, so far, risen by 4.1% in April.



PUTIN'S PALS PUNISHED

The ruble fell sharply after the US hit seven Russian oligarchs, thought to be close to President Vladimir Putin, with stinging sanctions. The US Treasury Secretary said they were in response to Russia's meddling in the 2016 presidential election. While the MSCI Russia index fell by 10.1% in US dollar terms, month-to-date, shares in billionaire Oleg Deripaska's company, Rusal, tumbled by 37.8% over the same period. The sanctions ban the group from trading in US dollars, the currency in which its debt is mostly denominated. The price of aluminium, meanwhile, rose: Rusal is one of the world's largest aluminium producers.



AIR FRANCE AND LUFTHANSA HIT TURBULENCE

With summer holidays firmly on the horizon, it appears more industrial unrest looms. Customers of two of Europe's largest airlines, Air France and Lufthansa, were among the latest to feel the heat. Air France cancelled one in four of its flights last week, in a wave of strikes by airline staff over pay – set to cost the airline £148m. Meanwhile, Lufthansa cancelled half of its 1,600 scheduled flights as airports were hit by German public sector walkouts ahead of pay talks. But the news failed to dent investor confidence in Lufthansa with shares ending higher last week, although those of Air France fell.



MIXED SIGNALS ON THE UK HIGH STREET

More bad news for some UK retailers. Carpetright last week closed 92 of its stores, with the loss of 300 jobs. However, overall UK retail sales values climbed by 2.3% in March year-on-year (y-o-y) from 1.6% in February, according to the British Retail Consortium. While non-food sales drooped by 1.8% y-o-y, food sales mushroomed by 4.2% y-o-y. Indeed, Tesco reported 2.3% annual same store sales growth, with profits exceeding the £1bn mark for the first time since 2014, courtesy of turnaround plans from boss, Dave Lewis, bearing fruit. Tesco shares climbed by 14%, while Carpetright's shed 4%, in sterling terms.

THE CALM AMID THE STORM



Trade wars and Middle East tensions have frayed investor nerves



So analysts are hoping the underlying health of **US companies** proves strong now the Q1* reporting season is underway



Analysts expect a **16%** rise in overall profits for Q1**

Helped by a **fall in US corporation tax** from **35%** to **21%**



But lower taxes mean **US inflation** is at its highest for over 7 years**

*Q1 = first three months of 2018 year-on-year. **Source: Bloomberg as at 12 April 2018.

MARKET DATA – % CHANGE IN WEEK ENDING 13/04/2018

| | LAST VALUE | % CHANGE |
|---|------------|----------|
| EQUITIES | | |
| FTSE All-Share (UK) | 3,998 | +1.18%* |
| MSCI All Country World | 511 | +0.81%* |
| S&P 500 (US) | 2,664 | +1.31%* |
| Stoxx 600 (Europe) | 380 | +0.50%* |
| Topix (Japan) | 1,729 | -1.28%* |
| MSCI Asia ex Japan | 724 | +0.94%* |
| MSCI Emerging Markets | 1,177 | +0.30%* |
| FIXED INCOME | | |
| Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return | 569 | -0.95% |
| 10-year Gilt yield | 1.46% | +0.06%** |
| 10-year US Treasury yield | 2.83% | +0.06%** |
| 10-year Bund yield | 0.52% | +0.02%** |
| 10-year Japanese government bond yield | 0.04% | -0.01%** |
| COMMODITIES | | |
| Gold (US\$, per troy ounce) | 1,341 | +0.58% |
| Brent Crude (US\$, per barrel) | 72.27 | +7.69% |
| CURRENCIES | | |
| GBP/USD | 1.43 | +1.38% |
| GBP/EUR | 1.16 | +0.95% |

Source: All data sourced from Bloomberg as at 11.09am, 13 April 2018. *In GBP terms. **Yields move inversely to prices.

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