



FOR RETAIL INVESTORS

# WEEKLY MARKET ROUND-UP A SUNNY WEEK FOR SHARES

WEEK ENDING 20 APRIL 2018



## SHARES AND METALS STRENGTHEN

Shares had a strong week, as geopolitical worries (over the Middle East and North Korea) eased, company earnings were strong, and mergers and acquisitions activity continued. Commodities were buoyant. Metals continued their surge, led by aluminium and nickel, on the back of US sanctions hurting Russian producers, which could cause shortages. Oil prices were also strong (see below); yet higher commodities prices could spur inflation, the bane of bond investors. In response, developed market bonds weakened. Bond yields, which move in the opposite direction to bond prices, rose, with the benchmark 10-year US Treasury above 2.9%, its highest level since February.



## CHINA: THE SWEET AND THE SOUR

Chinese shares, as measured by the MSCI China Index, were flat last week despite some encouraging news on the economic front. The country posted year-on-year growth of 6.8% in the first three months of the year, ahead of the government's official target of 6.5%. Despite this, fears persist about China's economic growth. While the reduction in China's interest rate, also announced last week, was meant to boost small businesses and restore financial stability, some commentators have interpreted the move as an attempt to prevent slowing growth momentum, particularly in light of US-Sino trade hostilities.



## STERLING RETREATS FROM POST-BREXIT HIGH

Sterling fell against the US dollar last week after weaker UK inflation data surprised markets, and Bank of England officials used more cautious language about whether it will raise interest rates at its next meeting on 10 May. What had been assumed to be a foregone conclusion – that it would hike – has come into doubt. Lower inflation would give the Bank less reason to hike, the purpose of which would be to control price rises. Over recent months, sterling has been strong, helped by progress in Brexit talks. Before the fall last week it briefly hit its highest value against the dollar since the June 2016 referendum.



## OIL PRICE GUSHES UP

Political tensions in the Middle East, an oil-producing hotspot, are rarely bad news for oil prices. Nor is a US president who tweets from the hip. The price of Brent crude oil has bounced by 9.1% since its recent low on 4 April, boosted by weaker than expected US oil inventories, Syrian missile strikes and rumours that Saudi Arabia is pushing to get the crude price closer to the US\$100 a barrel last seen in 2014. Stronger oil prices helped lift the oil majors' profits in 2017. Shares in Royal Dutch Shell, BP and ExxonMobil have all performed well so far this month.



## WHITBREAD SHARES WAKE UP AND SMELL THE COFFEE

US-based activist investor Elliott Advisors has come knocking at the door of Whitbread, the UK's largest hospitality company. Whitbread has its origins in brewing but today encompasses Premier Inn, the UK's largest hotel brand, and Costa Coffee, one of the world's biggest coffee shops chains. Elliott has gulped down 6% of Whitbread's shares and hopes to convince Whitbread management to separate Costa from Premier Inn, believing this would unlock value. Shares in Whitbread jumped on the news and are up 13.5% since the beginning of the month.

# NETFLIX FLEXES ITS MUSCLE

There's no stopping the advance of the mighty Netflix empire



For the first time, international sales are expected to overtake US sales, with Netflix planning to spend US\$1bn expanding European productions.



Source: Bloomberg. \*Period from 29/12/2017 to 18/04/2018 in USD terms.

## MARKET DATA – % CHANGE IN WEEK ENDING 20/04/2018

### EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,056	+1.50%*
MSCI All Country World	517	+1.73%*
S&P 500 (US)	2,693	+1.81%*
Stoxx 600 (Europe)	382	+1.86%*
Topix (Japan)	1,751	+2.35%*
MSCI Asia ex Japan	728	+1.14%*
MSCI Emerging Markets	1,184	+1.63%*

### FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	569	-0.03%
10-year Gilt yield	1.49%	+0.05%**
10-year US Treasury yield	2.91%	+0.09%**
10-year Bund yield	0.59%	+0.08%**
10-year Japanese government bond yield	0.06%	+0.02%**

### COMMODITIES

Gold (US\$, per troy ounce)	1,341	-0.42%
Brent Crude (US\$, per barrel)	73.84	+1.74%

### CURRENCIES

GBP/USD	1.41	-1.23%
GBP/EUR	1.14	-0.98%

Source: All data sourced from Bloomberg as at 11.00am, 20 April 2018. \*In GBP terms. \*\*Yields move inversely to prices.

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