

FOR RETAIL INVESTORS

# WEEKLY MARKET ROUND-UP BARELY BUFFETED BY BONDS

WEEK ENDING 27 APRIL 2018



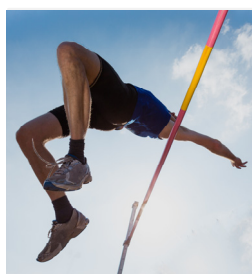
## INVESTOR OPTIMISM LARGELY INTACT

Global shares staged a late rally last week, helped by knock-out results from the likes of Facebook and Amazon. UK equities made up for recent underperformance, notching up impressive gains, and helped by a weaker pound. In the eurozone, attention focused on gauging the health of the region given recent weakening in economic data. But the main focus of attention was in the bond market where US Treasury yields hit the key 3% mark before falling back (see below). Elsewhere, the price of oil held steady despite an apparent easing in geopolitical tensions between North and South Korea.



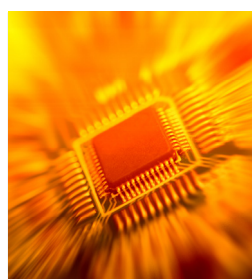
## BANKS CASH IN

It might be difficult to find a bank branch, but last week it was easier to find European high street banks reporting results. Profits in Lloyds Bank soared by 23% in the first three months of 2018 compared with the same quarter last year, aided by less compensation set aside for mis-selling payment protection insurance. Santander's profits jumped by 10% with strong numbers in Spain and Brazil somewhat compromised by a poor showing at its UK operations, courtesy of rising regulatory costs and Brexit uncertainty. Barclays mustered a 1% profits increase, excluding £2bn of litigation and compensation costs.



## BREAKING THE (3%) BARRIER

The yield on the 10-year US Treasury bond, a bellwether for US mortgage rates and global bonds, briefly rose above 3%, breaching a psychologically important barrier. Bond yields rise as their prices fall, which recently has been due to fears of inflation (a general increase in the prices of goods), which would erode the purchasing power of future fixed payments, making bonds less attractive. The rise in bond yields is typically good for the profits of banks but painful for so-called 'bond proxies,' companies paying generous dividends, whose shares have been seen as alternatives to bonds while interest rates have been low.



## CHIPMAKERS FEEL THE HEAT

The tech-heavy Taiwanese stock market crashed to a two-month low as chipmakers' share prices fell on fears of a slowdown in smartphone sales. The Taiwanese sell off was prompted by recent weak results from Taiwan Semiconductor Manufacturing Company, the country's largest listed group, causing sharp falls in the share price in recent weeks. The company, the main supplier of microprocessor chips to Apple, trimmed its sales forecast for chip market growth in 2018 to 5%. The mood infected other local semiconductor businesses' share prices, a sector that is worth around a quarter of the Taiwanese stock market by value.



## SHIRE TAKEOVER EDGES CLOSER

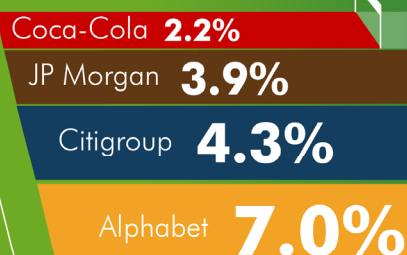
One of the biggest pharmaceutical deals ever moved a step closer, as UK-listed pharma company, Shire, conditionally agreed to be bought by Japanese peer Takeda Pharmaceutical for US\$65bn. The acquisition would offer Takeda a better opportunity to widen its product range and compete with global heavyweights such as US-based Pfizer and AbbVie. But the share price of Takeda fell sharply on the news as investors believed management would struggle to fund the deal given the company's already high levels of debt.

# US COMPANIES' FLYING START



Of US companies that have reported net profits for the first quarter of 2018, 79.3% beat expectations

Q1 earnings beat analysts' consensus expectations by:



Source: Thomson Reuters, Q1 2018 estimates.

## MARKET DATA – % CHANGE IN WEEK ENDING 27/04/2018

### EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,106	+1.14%*
MSCI All Country World	510	+0.26%*
S&P 500 (US)	2,667	+0.65%*
Stoxx 600 (Europe)	384	+0.80%*
Topix (Japan)	1,777	+1.59%*
MSCI Asia ex Japan	705	-1.08%*
MSCI Emerging Markets	1,144	-1.28%*

### FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	573	-0.21%
10-year Gilt yield	1.44%	-0.04%**
10-year US Treasury yield	2.97%	+0.01%**
10-year Bund yield	0.57%	-0.02%**
10-year Japanese government bond yield	0.06%	-0.01%**

### COMMODITIES

Gold (US\$, per troy ounce)	1,318	-1.37%
Brent Crude (US\$, per barrel)	74.43	+0.50%

### CURRENCIES

GBP/USD	1.38	-1.49%
GBP/EUR	1.14	+0.18%

Source: All data sourced from Bloomberg as at 11.05am, 27 April 2018. \*In GBP terms. \*\*Yields move inversely to prices.

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