



FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

MARKET MOOD MIXED

WEEK ENDING 04 MAY 2018



CAUTION PREVAILS

A slew of company deals last week grabbed the headlines as UK supermarket chains Sainsbury's and Asda attempted to merge and US Marathon Petroleum eyed Andeavor (see below). Despite better than expected results from Apple (see below), shares faced the headwinds of tougher rhetoric between the US and China on trade and disappointing economic data in Europe. The US dollar strengthened as the case for interest rate hikes in other developed markets receded. The cautious mood increased demand for bonds so lowering yields, which move in the opposite direction to bond prices.



M&A MANIA

From supermarkets to oil companies, mergers and acquisitions were the name of the game last week with £88bn worth of deals announced by Monday alone. British supermarket giant Sainsbury agreed to buy Asda (see below) in a £7.3bn tie up, T-Mobile reached a deal to buy US wireless provider Sprint and Marathon Petroleum agreed to merge with fellow American oil company Andeavor. And that's just three of a flurry of deals announced last week. Even before the latest round of deal making, M&A activity was at record levels, hitting £803bn in the first quarter, according to Dealogic.



NO CRUMBLING FOR APPLE... BUT SNAP CRACKS

Apple confounded its critics with a set of highly polished results last week. The share price crunched 8.5% higher as the company announced a 30% rise in profits and the biggest capital return to shareholders in the company's history. Analysts were surprised by the strength of iPhone sales, including demand for the pricey iPhone X, at a time when smartphone sales are supposedly weakening. But Apple's fortunes contrasted sharply with those of Snap, which delivered the exact opposite of a snappy set of profits, impacted by fluctuations in user numbers for Snapchat and a weaker outlook for advertising revenue.



FAST-FOOD CHAINS RING UP TASTY FIGURES

While customers are putting on calories, fast-food chains McDonalds and Pizza Express, and take-away delivery service Just Eat, have piled on sales. McDonalds beat analysts' forecasts with 5.5% growth in the first three months, aided by the popularity of a revamped 'value' menu and more profitable 'gourmet' burgers. Just Eat's shares climbed after reporting strong growth in the first three months, partly due to more popular higher-value meals. Meanwhile, Pizza Express' sales nudged up in 2017 with healthy international growth countering tougher times in the UK.



EURO HITS EUROPEAN EXPORTERS HARD

European exporters' earnings have underwhelmed analysts' expectations this year, dented by the effects of a 9% surge in the euro against the US dollar over the last twelve months. A stronger euro makes sales in other currencies worth less when translated back into euros. German fashion house Boss reported flat sales for the first quarter, weak German numbers counteracting a stronger performance elsewhere, though growth of 5% after excluding currency effects. In the last fortnight Adidas, Daimler, Bayer and Renault have also blamed euro strength for a significant hit, or expected hit, to results.

IN THE MONEY



Sainsbury's £7.3bn tie up with Asda sent the shares soaring this week.



Source: Kantar Worldwide grocery market share for 12 weeks to 22 April 2018.

MARKET DATA – % CHANGE IN WEEK ENDING 04/05/2018

EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,148	+1.59%*
MSCI All Country World	505	+1.67%*
S&P 500 (US)	2,630	+1.89%*
Stoxx 600 (Europe)	386	+1.32%*
Topix (Japan)	1,772	+1.91%*
MSCI Asia ex Japan	710	+1.08%*
MSCI Emerging Markets	1,138	+0.86%*

FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	588	+1.48%
10-year Gilt yield	1.38%	-0.07%**
10-year US Treasury yield	2.93%	-0.02%**
10-year Bund yield	0.53%	-0.04%**
10-year Japanese government bond yield	0.05%	-0.01%**

COMMODITIES

Gold (US\$, per troy ounce)	1,310	-1.09%
Brent Crude (US\$, per barrel)	73.44	-1.61%

CURRENCIES

GBP/USD	1.36	-1.63%
GBP/EUR	1.13	-0.26%

Source: All data sourced from Bloomberg as at 11.05am, 4 May 2018. *In GBP terms. **Yields move inversely to prices.

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