

FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

US-CHINA SPAT RUMBLES ON

WEEK ENDING 6 APRIL 2018



TRUMP RATTLES TRADE WAR SABRES

The week was dominated by continued uncertainty about whether an international trade war could be developing between the US and China. Reassuring words from the White House administration led to a rally in company shares later in the week. World stockmarkets ended mixed, and the Chinese currency, the renminbi, weakened. Whereas last year US President Donald Trump's policies were seen as pro-business, recently the waters have been muddied by his aggressive swing toward protectionism. The price of oil weakened, as there would be less demand for it, were global growth to slow.



MERGER MANIA

While stockmarkets have been anxious, companies have been busy buying each other up with alacrity. Worldwide merger and acquisition activity had its most frenetic first quarter in seventeen years, according to Mergermarket, which totted up 3,774 deals valued at US\$890.7 billion, 18% up on last year. Not all the deal-making has been driven by optimistic expansionism. The partnership between Amazon, JP Morgan and Warren Buffet to cut health costs for US employees seems to be causing sleepless nights at health sector incumbents, whose motives in seeking mergers may be largely defensive.



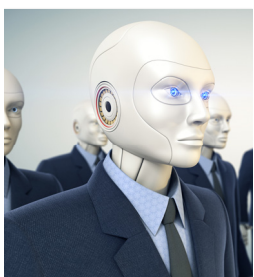
CHINA'S DRUG-FUELLED RALLY

Chinese pharmaceutical stocks got an injection of euphoria after authorities unveiled preferential tax policies. As well as capping tax at 15%, moves were afoot to improve the protection of the groups' intellectual property – broadly speaking, patents and copyrights – in an effort to safeguard supply. The battle over intellectual property rights has been at the heart of heightened US-Sino tensions recently, with the US president claiming China has succumbed to decades of state-backed intellectual property theft. So this news provided welcome relief, with shares in Sinopharm and CSPC Pharmaceutical rising.



TECH DARLINGS FALL FROM GRACE

Divorce or just a temporary tiff? It has been a rough few weeks for the stockmarket's technology darlings. As the row over Facebook's use of customer data continued, there was a tragic fatal car crash involving a Tesla Model X car driven on autopilot. Meanwhile, Amazon suffered the wrath of presidential tweets. Although music may sooth the savage breast, shares in Swedish music streaming service Spotify fell on their first day of trading in New York. Since the beginning of March, Facebook and Tesla shares are both down about 11%, and Amazon 4%. All except Tesla are up strongly over one year, however.



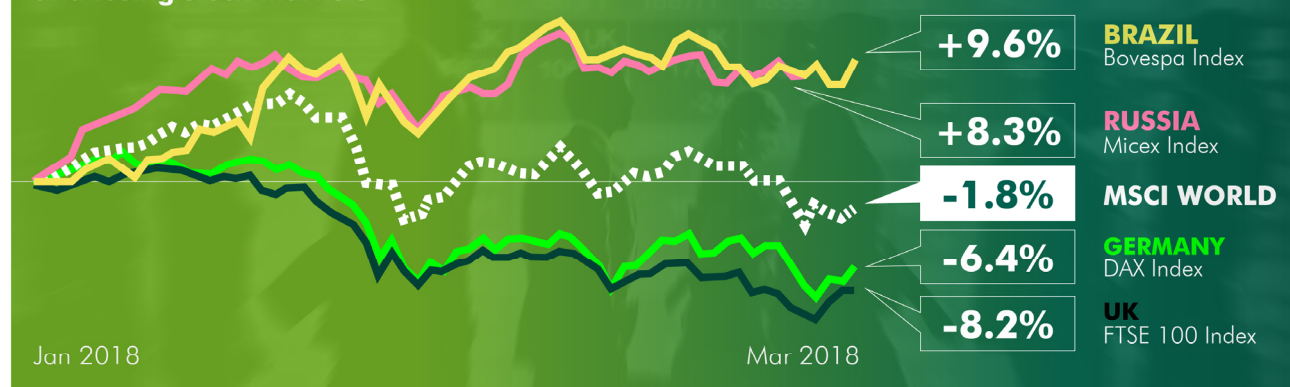
I, ROBOT

Clever robots may not be plotting to replace you, after all. Just 14% of jobs will be automated due to artificial intelligence, according to new research from the OECD. Its findings conflict with an Oxford University study of 2013, which reckons 47% of jobs in the US, and 35% in the UK, are at high risk of being automated within the next two decades. Over the past five years shares in companies with expertise in machine learning have proven a smart choice: Alphabet (the parent company of Google) up 164%, Baidu up 171%, and chipmaker Nvidia up a stratospheric 1,696% in US dollar price return terms.

TAKING STOCK



As investors mull over events in the first quarter of 2018, here are some of the winning... and losing stock markets



Source: Bloomberg as at 29 March 2018. USD terms.

MARKET DATA – % CHANGE IN WEEK ENDING 06/04/2018

EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	3,955	+1.68%*
MSCI All Country World	509	+0.90%*
S&P 500 (US)	2,663	+1.07%*
Stoxx 600 (Europe)	374	+0.76%*
Topix (Japan)	1,719	-0.73%*
MSCI Asia ex Japan	710	-0.52%*
MSCI Emerging Markets	1,166	-0.01%*

FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	577	-0.32%
10-year Gilt yield	1.41%	+0.06%**
10-year US Treasury yield	2.82%	+0.08%**
10-year Bund yield	0.51%	+0.02%**
10-year Japanese government bond yield	0.05%	+0.00%**

COMMODITIES

Gold (US\$, per troy ounce)	1,326	+0.04%
Brent Crude (US\$, per barrel)	68.06	-3.15%

CURRENCIES

GBP/USD	1.40	-0.01%
GBP/EUR	1.14	+0.61%

Source: All data sourced from Bloomberg as at 11.00am, 6 April 2018. *In GBP terms. **Yields move inversely to prices.

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