

FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP IT'S POLITICAL

WEEK ENDING 1 JUNE 2018



ITALIAN UPHEAVAL

Market action once again revolved around Europe last week as political upheaval continued in Italy and Spain (see below). At the time of print, Italy's two populist parties were preparing to sweep to power after months of uncertainty. Italian stocks staged a late recovery on the news. Most of Europe's major stock indexes still finished the week lower, led by Spain. Government bonds in peripheral Europe initially fell but bounced back late in the week. US stocks drifted lower while emerging markets fell as China's trade wars with the US rumbled on (see below).



SPANISH GOVERNMENT FALLS

Italy was not the only nation in political convulsions. Spanish Prime Minister, Mariano Rajoy (pictured), was toppled by Socialist leader Pedro Sanchez, after a court threw former officials of his party in prison for corruption. The Spanish stockmarket fell, led by banks including Banco Santander. The IBEX index has shed about 3.8% since the beginning of May. Spanish government bonds weakened but recovered towards the end of last week. However, Spain's economy is growing somewhat faster than the European average; and, unlike Italy, none of its main parties are questioning its role in the EU.



COFFEE MARKET FROTHS UP

The investment fund of Germany's wealthy Reimann family bought UK sandwich and coffee chain Pret A Manger for US\$2bn from US buyout group Bridgepoint last week. The fund, JAB, already owns Keurig Mountain Coffee, Peet's Coffee & Tea and Krispy Kreme. The acquisition follows Nestle's US\$7.2bn deal that it struck with Starbucks in May for the right to sell the US company's coffee products. While shares of Starbucks and Costa Coffee-owner Whitbread were weaker last week, the rise of cappuccino or espresso drinking looks secure. Coffee shop sales in the US are expected to grow 22.6% by 2021.



ONE STEP FORWARD, TWO STEPS BACK

Keeping up with stock market news on a daily basis is hard enough, but when it comes to the ongoing dialogue between the governments of China and the US over trade wars, staying abreast of developments is an uphill struggle. Asian equities drifted lower last week, partly on the news that the Trump administration would proceed with tariffs and investment restrictions on US\$50bn of Chinese imports, and rekindling trade tensions with Beijing which, until recently, appeared to be easing. Yet, some commentators believe the decision may not be final... watch this space.



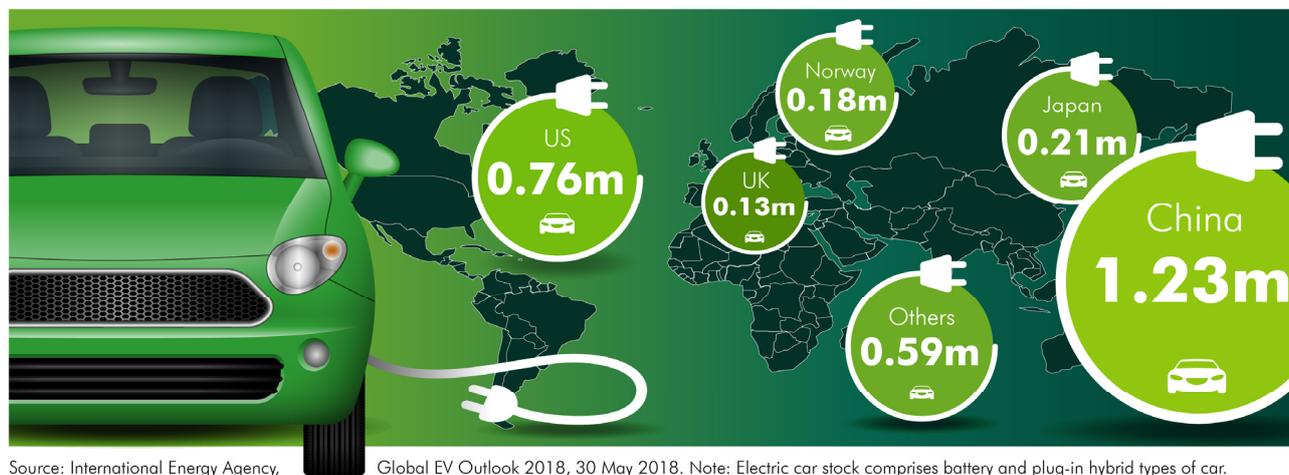
MEGHAN NÉE MARKLE MAKES JEWELLERY SALES SPARKLE

Love is in the air, courtesy in no small part to a certain royal couple, it seems. Gold jewellery sales in the US during the first quarter of 2018 were at their best since 2009, according to the World Gold Council. Yellow gold, which Meghan has said she prefers, has been especially à la mode. Meghan – now Duchess of Sussex – became engaged to Prince Harry last November and married him on 19 May. Meanwhile, Tiffany & Co unveiled sparkling first quarter results, helped by strong jewellery sales: its shares are up 27% since the beginning of May.

REVVING UP



As annual sales of electric vehicles top 1 million for the first time, China accelerates its lead in electric cars on the road.



Source: International Energy Agency, Global EV Outlook 2018, 30 May 2018. Note: Electric car stock comprises battery and plug-in hybrid types of car.

MARKET DATA – % CHANGE IN WEEK ENDING 1/06/2018

EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,256	+0.08%*
MSCI All Country World	509	-0.67%*
S&P 500 (US)	2,705	-0.37%*
Stoxx 600 (Europe)	387	-0.30%*
Topix (Japan)	1,749	-1.09%*
MSCI Asia ex Japan	709	-0.67%*
MSCI Emerging Markets	1,121	-0.18%*

FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	595.59	+0.46%
10-year Gilt yield	1.27%	-0.05%**
10-year US Treasury yield	2.88%	-0.05%**
10-year Bund yield	0.40%	-0.01%**
10-year Japanese government bond yield	0.05%	-0.01%**

COMMODITIES

Gold (US\$, per troy ounce)	1,300	-0.18%
Brent Crude (US\$, per barrel)	77.66	+1.60%

CURRENCIES

GBP/USD	1.33	+0.03%
GBP/EUR	1.14	-0.46%

Source: All data sourced from Bloomberg as at 11.00 am, 1 June 2018. *In GBP terms. **Yields move inversely to prices.

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