

FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

CENTRAL BANK SPEAK

WEEK ENDING 15 JUNE 2018



DOLLAR STRENGTHENS, EURO WEAKENS

Better US economic data helped sustain the upbeat mood in developed market equities last week. That said, pessimism persisted in emerging markets. Indeed, poorer than expected Chinese retail sales and the threat of US trade sanctions saw Chinese shares fall to a low for the year. A US interest rate rise helped the US dollar. Meanwhile, the European Central Bank's commitment to keep rates low until at least summer 2019 hit the euro and eurozone yields. Markets had expected that eurozone rates might be raised sooner.



TRUMP-OPOSED MERGER CLEARED BY COURT

A US court ruled that the purchase of Time Warner by telecoms giant AT&T could go ahead, in a defeat for the Trump administration, which had sued to block the US\$85 billion deal. Time Warner includes channels such as CNN and HBO, and movie studio Warner Bros. Shares in both companies firmed on the news. Their fortunes over the last twelve months are a different story: AT&T's share price has lost 16.3% and Time Warner's 0.4%, before taking dividends into account. Meanwhile, new kid on the block Netflix's share price has more than doubled, gaining 158.9%.



EMISSIONS-SCANDAL MOVES UP A GEAR

German carmakers' share prices struggled again for much of last week as the diesel-emissions scandal moved up a gear. Prosecutors raided the home of Audi's chief executive, looking for evidence of emissions cheating. Audi's parent, Volkswagen, agreed to pay a €1bn fine imposed by the German authorities for its part in the scandal. Furthermore, the government ordered Daimler to recall 774,000 of its Mercedes vehicles in Europe fitted with illegal software that masks diesel emissions. Despite the gloom, Volkswagen's Skoda unit set a sales record for May, powered by double-digit growth in China and Russia.



BATTERY POWERED

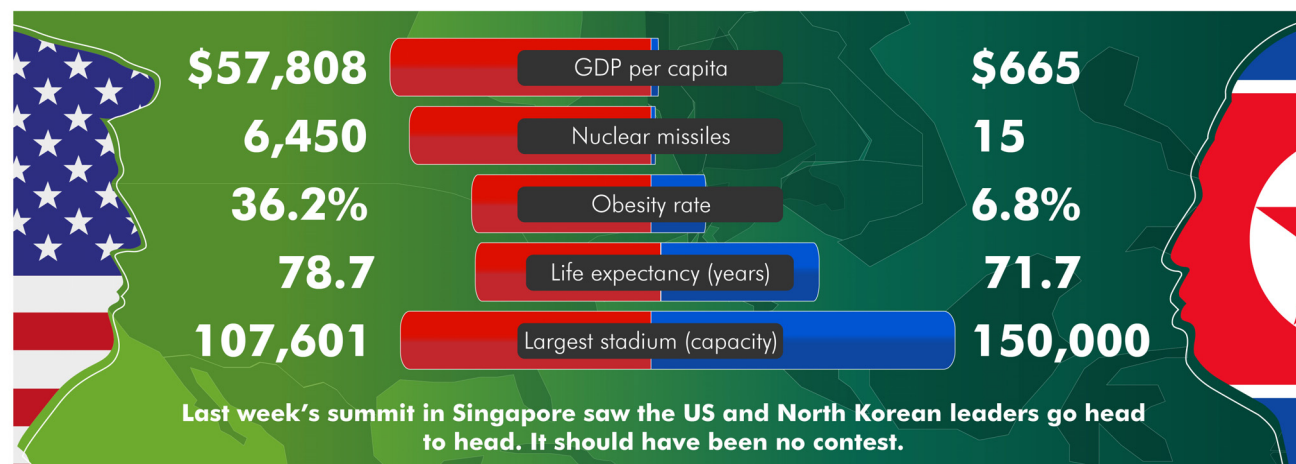
If you're going to debut on China's Shenzhen stock exchange, make sure you do it in style. Shares in Contemporary Amperex Technology, suppliers of electric vehicle batteries, surged by 44% on its first day of trading, valuing the company at US\$12.3bn. One reason behind the successful listing is the group's dominant market share in China. Competitors, South Korean Samsung SDI and LG Chemical, have been severely restricted in supplying batteries to China since 2016. But the company will need to boost sales. Fierce competition in the battery market is already leaking through to prices and margins.



CIGARETTE COMPANIES FEEL THE HEAT

Stock market values of cigarette producers worldwide have been dragged lower this year. So, British American Tobacco declaring what Philip Morris had announced just months earlier – that the rapid growth in its heated tobacco products division in Japan has slowed – wasn't welcomed by the market. Seen as an alternative to traditional cigarettes, heated tobacco products release nicotine using electronic devices and are deemed relatively safer. But given sluggish sales, investors are questioning where the profit kicker to make up for falling cigarette revenues will come from. Fog break anyone?

US AND NORTH KOREA: A MATCH?



Source: World Atlas as at May 2018; CIA, data as at 2016; United Nations 2016; Federation of American Scientists May 2018; World Bank 2016.

MARKET DATA – % CHANGE IN WEEK ENDING 15/06/2018

	LAST VALUE	% CHANGE
EQUITIES		
FTSE All-Share (UK)	4,255	+0.52%*
MSCI All Country World	520	+0.94%*
S&P 500 (US)	2,782	+0.99%*
Stoxx 600 (Europe)	392	+1.25%*
Topix (Japan)	1,789	+0.42%*
MSCI Asia ex Japan	714	-0.24%*
MSCI Emerging Markets	1,126	+0.02%*
FIXED INCOME		
Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	591	+0.29%
10-year Gilt yield	1.33%	-0.06%**
10-year US Treasury yield	2.92%	-0.03%**
10-year Bund yield	0.39%	-0.06%**
10-year Japanese government bond yield	0.04%	-0.01%**
COMMODITIES		
Gold (US\$, per troy ounce)	1,299	+0.05%
Brent Crude (US\$, per barrel)	74.99	-1.92%
CURRENCIES		
GBP/USD	1.33	-0.90%
GBP/EUR	1.15	+0.57%

Source: All data sourced from Bloomberg as at 11.32 am, 15 June 2018. *In GBP terms. **Yields move inversely to prices.

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