

FOR RETAIL INVESTORS

WEEKLY MARKET ROUND-UP

TRADE WAR WOES

WEEK ENDING 22 JUNE 2018



SHARES SUFFER AS DOLLAR GAINS

Last week investors were digesting the implications of ongoing trade tensions between the US and China (see below). Predictably, Chinese company shares (equities) were hurt, and, due to the interconnectedness of trade, other markets also suffered. Their dip looked worse in US dollar terms, because the greenback strengthened early in the week. A trade war could stoke US inflation, making further rises in US interest rates – which would support the dollar – more likely. Later in the week, the dollar fell back on some weaker US economic data, and equities, after a difficult week, also showed signs of stabilising.



TRADE TREMORS

US President Donald Trump threatened to impose trade tariffs on an additional US\$200 billion of imports from China. Though the tariffs are small in relation to the total value of goods and services produced by each country – both well above US\$10 trillion – fears of a further escalation are what continue to fray nerves. Daimler, which has factories in the US exporting to China, cut its sales forecasts. The US administration believes unfair Chinese practices have effectively not created a level playing field for foreign companies doing business in China and is targeting China's manufacturing and advanced technology sectors in particular.



STERLING BOUNCES FROM YEAR'S LOW

Sterling bounced off a seven-month low against the US dollar last Thursday as hints of an interest rate rise in August intensified after a Bank of England monetary policy meeting. While rates were held, Andrew Haldane, the Bank's chief economist and a member of the rate-setting committee, unexpectedly joined those voting for a rise. Recent weeks have seen a few tentative signs of a stronger economy after a sluggish start to the year. However, more Brexit uncertainty and rising trade tensions cloud the outlook. The lack of a rate rise has seen sterling drop about 7% from its post-Brexit high in April.



DISNEY DARES TO DREAM

'If you can dream it, you can do it,' Walt Disney once said. The dream to own the majority of Twenty-First Century Fox, with coveted assets ranging from The Simpsons to X-Men, came a step closer last week with a bumper revised US\$71.3bn bid. The latest Disney bid significantly outstripped a rival all-cash US\$65bn offer from US cable giant, Comcast. While analysts believe Comcast may improve its offer, investors are concerned of the impact of a knock-out blow on Comcast's increasing debt profile. Meanwhile, shares in Twenty-First Century Fox rose sharply higher on the news.

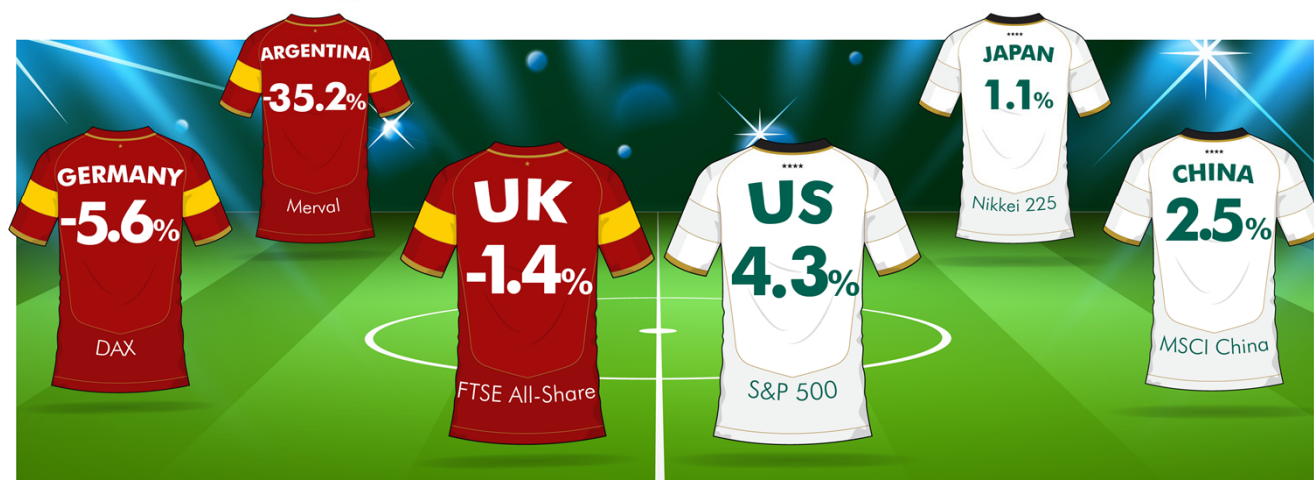


GENERAL ELECTRIC LEAVES DOW

It's the end of an era. On 26 June, General Electric, the US company founded by Thomas Edison in 1892, and which has been central to the history of industries including lighting, television, and power generation, is to be ejected from the Dow Jones Industrial Average, the venerable US index of which it has been a constituent continuously since 1907. Recently, world demand for gas-fired power plants has declined, and the company has been hurt by legacy insurance liabilities. Last year it cut its dividend. In the 1990s, General Electric was the largest US stock by market capitalisation. Today it is about the forty-sixth.

HALF-TIME SCORES

Almost six months into 2018, and here's how world stock markets have fared*



*Source: Bloomberg, in USD, total return terms as at 19 June 2018.

MARKET DATA – % CHANGE IN WEEK ENDING 22/06/2018

EQUITIES

	LAST VALUE	% CHANGE
FTSE All-Share (UK)	4,192	-0.39%*
MSCI All Country World	509	-1.23%*
S&P 500 (US)	2,750	-0.79%*
Stoxx 600 (Europe)	383	-1.20%*
Topix (Japan)	1,745	-2.12%*
MSCI Asia ex Japan	686	-3.00%*
MSCI Emerging Markets	1,080	-2.70%*

FIXED INCOME

Bloomberg Barclays Global Aggregate bond index, GBP-hedged – total return	594	+0.25%
10-year Gilt yield	1.31%	-0.02%**
10-year US Treasury yield	2.91%	-0.01%**
10-year Bund yield	0.34%	-0.06%**
10-year Japanese government bond yield	0.04%	0.00%**

COMMODITIES

Gold (US\$, per troy ounce)	1,269	-0.75%
Brent Crude (US\$, per barrel)	74.37	+1.27%

CURRENCIES

GBP/USD	1.33	+0.10%
GBP/EUR	1.14	-0.30%

Source: All data sourced from Bloomberg as at 11.00 am, 22 June 2018. *In GBP terms. **Yields move inversely to prices.

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