

Macro Comment and Overnight Roundup

psigma

Friday 21st July 2017

US

- US stock markets were a bit subdued yesterday on the back of some mixed economic data. **The Dow Jones Industrial Average closed down 0.13% at 21,611.78, while the S&P 500 was down 0.02% at 2,473.45 and the Nasdaq 100 was ahead 0.09% at 5,921.2 – a new record high.**
- The Federal Reserve bank of Philadelphia's regional manufacturing gauge slipped from 27.6 for June to 19.5 in May, against a consensus for 23.0, with the new orders sub-index down from 25.9 to 2.1 - its lowest reading since August 2016. The labour market continued to be strong however, with the initial weekly US employment claims falling by 15,000 during the week ending on 15 July, a new cycle and record low according to the Department of Labour.
- **Bank of New York Mellon was 2.06% higher** after it released second-quarter earnings per share of \$0.88 and sales of \$3.96bn versus estimates of \$0.84 and \$3.89bn.
- **Philip Morris fell 1%** after the cigarette maker lowered guidance and revenues and delivered an earnings miss.
- **Chip designer Qualcomm was 4.52% lower** after missing analysts' forecasts for its bottom line in the third quarter and after issuing weaker than expected third quarter guidance, with the latter failing to mention sales related to Apple products.
- **Travelers was 1.05% lower**, having delivered mixed second quarter results.
- **Home Depot was the biggest faller in the Dow Jones**, with market commentary linking the 3.66% move in its shares to rival Sears' announcement that it would begin selling its Kenmore line of white goods via Amazon.com.

Europe

- UK stocks had another good day, with the **FTSE 100 up 0.77% to 7,487.87. The Mid-Cap FTSE 250 index's gains were more modest, up 0.36% to 19,763.94.**
- In Europe, stocks were held back by a strong currency following ECB President Mario Draghi's press

conference. **The Stoxx 600 was down by 0.38% or 1.47 points to 384.07, alongside a fall of 0.04% or 4.80 points to 12,447.80 for the German Dax, while the Cac-40 slipped 0.32% or 1.47 points to 5,199.22. In Italy, the FTSE MIB was down 0.19%.**

- As expected, at their Policy meeting, the ECB kept all its main policy rates unchanged on Thursday, with that on the main refinancing facility steady at 0.0%, as well as its guidance for its asset purchase programme. Yet ECB chief Mario Draghi pushed back by more than was expected against recent speculation that a shift in its QE-guidance was imminent. This had the effect of boosting the Euro and causing bond yields to fall (as less aggressive tightening was priced in).
- UK data was supportive for equity markets yesterday, with **retail sales volumes rising 0.9% in June, bouncing back from the 1.6% fall the prior month** (revised down from its initial 1.1% estimate) and beating the consensus estimate of 0.5%. Meanwhile, the Council of Mortgage Lenders reported a 9% jump in gross mortgage lending for June, to £22.1bn.
- **Ashtead** was the standout gainer after US peer United Rentals' second-quarter numbers beat expectations and the company lifted its 2017 earnings guidance. **The stock was up 3.07%** and was the best performer within the FTSE 100.
- **Shares in Sports Direct rallied 11.44%** as it reported a near-60% drop in full-year underlying pre-tax on the back of the weaker pound, but its revenue came in ahead of expectations and its outlook was brighter than anticipated.
- Anglo American reversed course to trade lower after it posted an 8% year-on-year increase in copper-equivalent production in its second quarter. **Anglo dropped 2.87% on the day.**
- **Moneysupermarket tumbled 2.5%** as it warned that adjusted operating profit for the full year will be at the lower end of the consensus range.
- Today is a very light day on the economic data front, with UK Public Sector Net Borrowing data being released for June later on this morning.

Asia

- **Asian markets were broadly lower on Friday**, following excellent recent gains of late.
- In Japan, the **Topix was down 0.18%, the Nikkei 225 was down 0.22% and the Nikkei 400 was down 0.22%** as well.
- Chinese markets also gave up some ground. The **CSI 300 was down 0.51%, the Shanghai Composite was down 0.21% and the Shenzhen Composite was down 0.12%.**
- In Australia, the **S&P ASX 200 was down 0.67%**, with the Financials and Materials dragging the most on returns. Rio Tinto was down 2.07%, with Fortescue Metals Group down 2.5%.
- In Taiwan, the **TAIEX was down 0.6%**. The Korean **KOSPI was one of the few bright spots for Asian markets, up 0.34%**.

Bonds

- **10yr and 30yr US treasuries** are currently trading at 2.25% and 2.82% respectively.
- **10yr UK gilts** closed with a yield of 1.20%.
- **German 10yr bund** yields closed at 0.51%.
- **10yr Italian and Spanish bond yields** closed at 2.07% and 1.43% respectively.

Commodities

- The **WTI crude oil** price is \$46.92.
- **Brent crude** is \$49.32
- The **gold price** is \$1,248.
- The **silver** price is \$16.39.
- The **COMEX copper price** is \$2.73.

Currency

- The **Yen** is trading at 111.76 against the US dollar.
- The pound is trading at 1.30 against the **US dollar**.
- The pound is trading at 1.11 against the **Euro**.

Kind Regards,

The Psigma Investment Team

Important Information

This article is **prepared for general circulation and is intended to provide information only**. It is not intended to be construed as a solicitation for the sale of any particular investment nor as investment advice and does not have regard to the specific investment objectives, financial situation, and particular needs of any person to whom it is presented.

The investments contained in this document may not be suitable for all investors. Prospective investors should consider carefully whether any of the investments contained in this publication are suitable for them in light of their circumstances and financial resources. If you are in any doubt whether any of the investments contained in this publication are suitable, you should speak to your Investment Director, or take appropriate advice from an accountant, lawyer or independent financial adviser authorised and regulated by the Financial Conduct Authority.

The **value of investments and the income from them can fall as well as rise**. An investor may not get back the amount of money that he/she invests. Past performance is not a guide to future performance. Foreign currency denominated investments are subject to fluctuations in exchange rates that could have a positive or adverse effect on the value of, and income from, the investment. Investors should consult their professional advisers on the possible tax and other consequences of their holding any of the investments contained in this document.

Speculative trading is not suitable for all investors: The information contained herein is based on materials and sources that we believe to be reliable however we make no representation or warranty, either express or implied, in relation to the accuracy, completeness or reliability of the information contained herein. Please note that the figures shown may, in some instances, be rounded to the nearest decimal place. Prices can move sharply from those quoted

in this article. Psigma is under no obligation to update the information contained herein. Neither Psigma, nor its affiliates, nor its employees shall have any liability whatsoever for any indirect or consequential loss or damage arising from the use of this article.

This document has been approved and issued by Psigma Investment Management Limited. Psigma Investment Management Limited is authorised and regulated by the Financial Conduct Authority with FCA reference number 478840.