

Psigma Weekly Market Round Up

24th April 2017

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Last week was dominated with geopolitical concerns, with North Korea and Turkey taking the focus in the early part before attention shifted to the French and UK elections in the latter part. Markets showed good resilience and for the most part held up well; helped by some solid earnings from US companies. The British pound reacted very strongly to Theresa May's announcement of a snap election in June and is back to levels not seen since September last year.

Last week

- Mixed week for stocks
- Subdued week for bond markets
- French elections gave a market-friendly outcome
- UK snap election
- Strong week for the British pound
- Chinese growth came in strong
- US earnings – so far so good

This week

- US earnings: 194 companies due to report including the big tech companies (Alphabet and Apple), Boeing, Sony and AT&T
- Bank of Japan meet on Wednesday – expected to temper their outlook for inflation for this year
- European Central Bank meet on Thursday – no action expected and for them to continue buying €60bn of government bonds each month
- Saturday sees the EU summit on Brexit strategy – first official response from 27 member states since Theresa May triggered Article 50 last month
- Sunday sees the Italian Democrats elect a leader - Matteo Renzi is the overwhelming front runner.

Last Week's Highlights

- Stock markets had a mixed week, with currency moves dictating the play for UK based investors. The UK market was down 2.4%, with the big overseas energy earners faring worst; Royal Dutch Shell down 7.5% and BP down 6.6%. US markets did a little better, up 0.9% and were helped by some decent earnings from the big banks. Morgan Stanley's profit was up 70% on last year and Bank of America's was up 40% for the same period; both stocks were up 2.7% and 1.7% for the week respectively.
- Bond markets were choppy but ended the week in positive territory (just!). High yield bonds and high quality credit did a little better than government bonds; up 0.13% and 0.07% respectively. Government bonds remain expensive, with the UK 10-year yield around its low for the year at 1.03%.
- Sterling had a strong week and rallied 2.4% vs the US dollar to levels not seen since last September. The lion's share of this rally came on Tuesday when Theresa May announced plans for a snap election.
- Despite repeated assurances of not calling a "snap election" before the next scheduled general election (7th May 2020), Theresa May announced plans for an election on 8th June 2017. This was put to the Commons on Wednesday and was approved with a massive majority of 522 votes to 13. This triggered the immediate resignation of George Osborne and has sparked a flurry of posturing across the parties.

Last Week's Highlights (continued)

- US corporate earnings have been decent so far. Roughly 20% of companies have reported, with earnings surprising by around 5% and growing at over 13% year-on-year. These numbers have been boosted strongly by the financials sector which has posted strong gains.
- The first round of the French election was very close run but ended predictably. Centrist Emmanuel Macron came out on top with Le Pen in second; these two will now contest the final round on 7th May. This has led to a bump higher in the euro which is trading up 1.3% against the pound this morning at 1.17.
- China recorded a growth rate of 6.9% annualised for the first quarter of 2017. This was its best number in 18 months and beat expectations (for 6.8% growth). This number is solid but was greeted with some scepticism by the markets since it came alongside growth in credit and home sales which are not likely to be sustained. This aspect took the gloss of some decent numbers for retail sales and industrial production; with the former seen to be growing at 10% year-on-year.

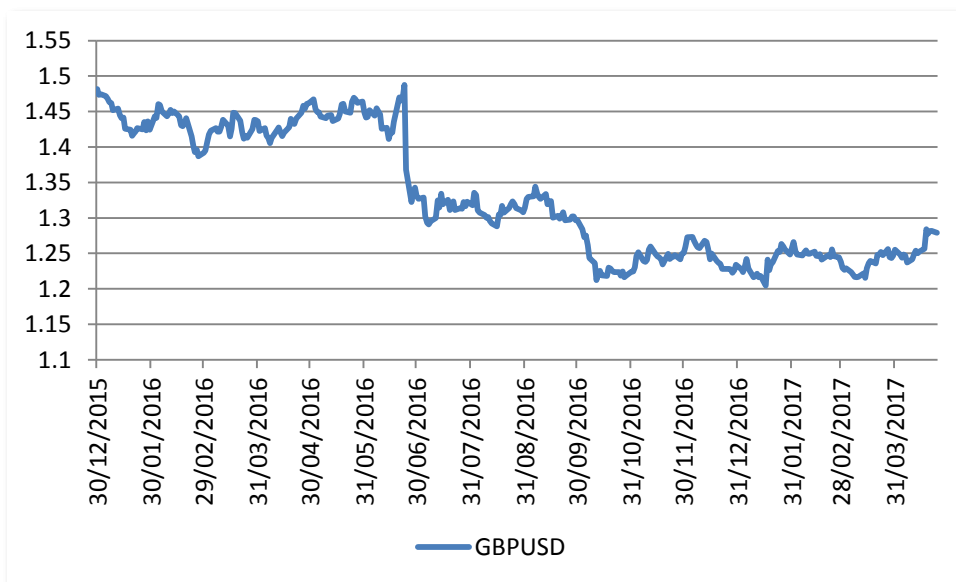
Asset Returns

Equities & Oil	Index Name	1 week (%)	YTD (%)
Oil Price	WTI Oil Price	-6.7	-7.1
Global	MSCI World	-1.6	2.2
UK	FTSE All Share	-2.4	2.3
US	S&P 500	0.9	5.5
Japan	Nikkei 225	1.6	-1.9
Europe ex UK	MSCI Europe ex UK	-0.4	6.2
Emerging	MSCI Emerging Markets	-1.9	8.0

Bonds, Gold and Currencies	1 week (%)	YTD (%)
Gold Price	-2.2	6.6
Sterling Corporate Bonds	0.1	2.4
Japanese Yen versus GBP	-2.6	2.0
USD versus GBP	-2.2	-3.4
UK Government Bonds	0.0	2.4
High Yield Bonds	0.1	3.2

Equities & Oil: returns are all in base currency, save for Global and Emerging which are in GBP. Bond returns are all shown in GBP. Gold in GBP. Source Bloomberg.

Announcement of snap election sees pound sterling rally to highs not seen since last September



Source: Psigma / Bloomberg

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