THE **CAMBRIDGE** WEEKLY

5 November 2018

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2018 asset class returns to 31 October

Asset Class	Index	October	YTD	2017
Equities	FTSE 100 (UK)	-4.9	-3.9	11.9
	FTSE4Good 50 (UK Ethical Index)	-4.6	-6.4	6.7
	MSCI Europe ex-UK	-6.1	-7.0	13.3
	S&P 500 (USA)	-4.9	9.1	11.3
	Nikkei 225 (Japan)	-6.6	3.6	14.7
	MSCI All Countries World	-6.0	-0.5	11.2
	MSCI Emerging Markets	-8.3	-11.5	34.0
Bonds	FTSE Gilts All Stocks	0.9	-0.4	1.8
	£-Sterling Corporate Bond Index	0.4	-1.6	5.0
	Barclays Global Aggregate Bond Index	0.9	2.2	-1.9
Commodities	Goldman Sachs Commodity Index	-3.9	11.5	-3.4
	Brent Crude Oil Price	-7.4	18.8	7.5
	LBMA Spot Gold Price	5.0	-0.6	2.2
Inflation	UK Consumer Price Index (annual rate)*	-	1.5	3.0
Cash rates	Libor 3 month GBP	0.1	0.5	0.3
Property	UK Commercial Property (IA Sector)*	0.3	3.1	7.6

***Data to end of previous month (30/09/18). All returns in GBP**

Good-bye cathartic October

What a difference one month can make. At the end of September, one of the biggest conundrums of 2018 was the divergence of stock market returns between the US (strongly positive) and the rest of the world (flat). October's stock market correction brought falls of similar magnitude to all markets, but clearly originated in the US, before contagion spread around the world. Initially, it was caused by concerns that rising US bond yields would diminish stock returns, as higher costs of finance eat into corporate profit margins and geared share investments on the back of cheap credit becoming less attractive.

As we wrote over the course of the month, a classic credit crunch in China exacerbated the liquidity squeeze that stock market sell-offs inevitably cause and made it much harder than usual to apply past experience to predict the turning points of this correction. The continued stream of strong corporate earnings announcements and an absence of signs of a looming recession made the stock market downdraft even more eerie.

And once sentiment turns negative, all other issues with scare potential are pulled 'out of the cupboard', even though they had been in clear sight all along, especially during the September rally. Globally, the main cited scare is the prospect of a trade war between the two largest single economies on the planet – China and the US. In Europe it was Italy's defiance to Brussels' austerity dictate and of course the Brexit no-deal evergreen.

So, while there may have been good reason at the beginning of the sell-off for stock markets – particularly in the US – to adjust downwards (given the higher yield and interest rate environment), once the -10% correction level was reached at the end of the month there was a widespread consensus amongst investment professionals that markets had overshot on the downside. Just like at the end of the last meaningful correction in the first quarter of 2016, stock market valuations are now suggesting that we should brace ourselves for an economic downturn. Different to then however, there is even less evidence from the actual economy that this will happen.

Somewhat predictably therefore, the week started with a decent recovery rally, allowing October to close on a positive note and not on the previous week's lows. The recovery has already stalled on the second day of November, despite (or more likely because of) good economic reports from the US. Job growths has picked up further than one might have thought possible with an unemployment rate of just 3.7% and that had November start in precisely the same way as October – long term yields rising back to where they had jumped to (but since slightly declined from) at the beginning of last month.

From a technical perspective, this stalling also made some sense, because markets had never reached the so called 'capitulation stage' and had also moved up so quickly that various technical indicators had switched back to sell. We are also not convinced this correction has yet run its course, but we do know that the fall in valuation levels relative to the economic outlook has created a much better entry point than we had at the end of September. We are therefore not unhappy to have executed our portfolio update and rebalance over the course of last week.

Much now hinges on the outcome of next week's US Midterm election, when the US elects all members of the House of Representatives (the lower house of the US parliament) and a third of the Senate (the upper house). At the moment, markets seem to have priced in that Donald Trump's Republican party will narrowly lose the House of Representatives (as most presidents before him) but not the Senate. Any material deviation from these expectations would likely trigger further market volatility. Should Trump unexpectedly retain the lower house, then markets may well rally in the short-term on the expectation of further tax cuts – this time for middle income households rather than businesses and the wealthy.

Should he lose more decisively than expected, then vice versa. In that case, another fall in the short term may be on the cards, although it could over the medium-term also mean that the risks of an ever-increasing US fiscal deficit and the trade war with China may be more containable (through stricter oversight by the legislature).

While much focus of capital markets understandably rested on the US, the media in the UK was clearly more occupied with reporting about the autumn budget, the latest Brexit developments, the Bank of England's rate setting committee meeting and the announcement from Germany's head of government Angela Merkel that she will not seek a 5th (!) term in 2021.

The UK budget and the latest Brexit developments seem quite interconnected, because the EU seemed to be proposing an economically attractive compromise for the immediate post-Brexit trade framework which the Tory Brexiteer fraction would struggle to accept, given Northern Ireland would enjoy a slightly different customs status than the rest of the UK. But it seems that, to persuade them to behave more pragmatically then they would like to, the chancellor presented a budget with tax cuts and NHS spending boosters that would come into force after Brexit in the next fiscal year. The catch is that it's entirely conditional on a continuation of the recent supportive economic environment, which itself depends on a soft Brexit, preferably with a customs union that keeps trade disruption to a minimum.

Mark Carney's Bank of England monetary policy announcement seemed similarly Brexit conditional, even though he would not let himself be tied down to a statement whether a disorderly exit from the EU was more likely to lead to rate cuts or rate hikes. However, it was fairly clear that, if the economy continues on its current course of slow but steady expansion, then the next rate rise is likely to be next May (to 1%) – and there would be more to follow.

Lastly, we come to the beginning of the end of the Merkel-era and speculation on whether this will be good or bad news for the Brexit negotiations or lead to a general weakening of the remaining EU. From my personal vantage point, I would be very surprised to see significant changes in Germany's foreign and European policies. This is not to say that Merkel is likely to cling to power until 2021. Rather, recent history has shown that Germany's European commitment is firmly anchored across a very wide section of German society and has not much changed when political leadership passed from one of the main parties to the other.

In terms of market action between now and the end of the year, it is very hard to predict whether optimism or pessimism will prevail. However, over the medium-term, it is economic circumstances and corporate results that determine the stock markets' direction. And from that angle, regardless how unpleasant the market volatility in October has been, it has once again proven how near impossible it is to time the markets, while time in the markets continues to generate decent and more consistent returns over the long-term. Furthermore, since it was asset bubbles rather than economic overheating that ended the previous to major economic cycles (2000 and 2008), we may come to value and appreciate cathartic but ultimately cycle-extending months like this October 2018.

'Shocktober' was spooky but have markets undershot fundamentals?

Well that felt scary.

Global equity markets suffered a collective $8 trillion valuation loss during October – leaving many indices in correction territory (a drop of -10% from a peak). While the longest bull market on record rumbles on (it would take a -20% drop to break it), a significant amount of shorter-term confidence damage has been done. And it could take some time to repair before a full recovery in risk appetite sets in.

Turbulent year in global stock markets – overshooting first, now undershooting?

MSCI World trend channel since 2016; Source: Bloomberg as at 2/11/2018

It is entirely possible that further limited declines will occur in the short-term, as investor positioning adjusts to the apparent re-pricing of economic growth forecasts and previously overly optimistic consensus earnings expectations. While risks remain, we think October's sell-off looks to have overshot fair value and robust economic fundamentals.

We suspect the baseline scenario for most investors during 2018 should have been for economic and earnings growth to gradually decelerate. But the magnitude of the 2018 declines in equities might suggest investors are now pricing in too sharp of a near-term growth slowdown.

Strong double-digit earnings (corporate profits) delivery in the US and Europe for the current quarter should have provided comfort. But now investors seem to be increasingly concerned about 2019 outlooks, where EPS (Earnings per share) is still forecast to expand by a very healthy 9% – just no longer accelerating. Given this, we believe the combination of solid earnings and 2019 earnings outlooks as well as the resumption of corporate share buyback programmes will help stabilise markets.

The October 2018 list of pain and scare facts:

- Nasdaq 100 worst month since Oct 2008: -8.6% in October, +9.8% year to date (ytd)
- S&P500 worst month since Feb 2009 (lowest close since April): -6.8% October; +3% ytd
- FAANG stocks (Face Book, Amazon, Apple, Netflix, Google) down 21% in October - the biggest monthly drop on record
- Semis down ~15%, the biggest monthly drop since Nov 2008
- S&P Financials down 7% in October - worst month since Jan 2016
- GSIBs (Global Systemically Important Banks) down over 10% in October, worst month since June 2016 (Brexit)
- China worst month since Jan 2016: -8.3% in October, -20% ytd
- European stocks worst month since Jan 2016: -5.6% October; -4.2% ytd
- Hedge Funds lost 11.5% in October - its biggest drop ever; 4.3% ytd.
- Worst October for low credit grade Junk bonds since 2008
- USD's biggest monthly gain (2.3%) since Nov 2016 (Trump election)

- USD and Gold both rallied for first month since Feb 2017
- Oil's worst month since July 2016; -7.4%

Over the years, the month of October has a history of delivering negative surprises in the form of sudden sell-offs and crashes over a day or so. This October felt different, with a clear divergence in risk appetite across all asset classes.

Safe havens were bid; both bonds and gold gained. Equity beta (or risk) saw material declines, particularly for highly valued US technology shares – the so called FAANG stocks.

Investment in the FAANGS' secular growth story had become a crowded trade, leaving valuations lofty. Amazon and Google's earnings growth disappointed higher expectations, leading to Growth stocks losing their previous market leadership as investors rotated into Value and Quality stocks.

From a technical perspective - which reflects investor confidence and market momentum- global markets broke below longer-term support levels (200-Day Moving Average). This damage will first need to be repaired before markets can stabilise. If price action initially moves back towards the 200-day average, markets will likely need a period of a few weeks around these levels to build a confidence base before resuming an upward path becomes possible.

While we have seen larger and faster sell-offs over the years, October's movements were notable for the number of days that returns were negative. For the first time since 1990, the S&P 500 posted losses for 13 days over a 3-week period. We did not see such declines even during the height of the financial crisis, nor during the unwinding of the TMT (technology) bubble in the 2000s.

Even though the cumulative or total losses investors experience are usually far bigger during frequent market falls, we are still a long way from the losses experienced during the worst sell-offs – including periods of 3 weeks.

As an example, in 2008, there was a cumulative decline of 30%, even though the market technically sold off 'less frequently' than now. Predictably, we see a large variation of returns over short spans of just 3 weeks. This is shown by measures of realised volatility, which is currently elevated, but not as high as other 3-week periods when the market sold off 'less often' than this October.

It is hard to obtain any meaningful future signals from the 13 negative return days in October. A look at history shows a large dispersion of market returns, ranging from a rally to a 'dead cat bounce' in the days following significant sell-offs.

Simply attempting to time the market can be dangerous for investors. In our experience, ~~it is~~ time in the market ~~that~~ counts and leads to consistent longer-term returns. History also shows that there are significant risks for simply jumping into markets, especially during a 'dead cat bounce' – i.e. a false or short-lived rally that quickly fades.

Turning to corporate earnings – the base of share valuations – for clues

To state it upfront: The ongoing Q3 results season has been very encouraging. The blended US EPS growth rate is running at +25.5%, with sales rising +8.9%, surprising positively by +6.4 percentage points and +0.7% respectively (I.e. versus the consensus expectation of analysts who cover the individual companies in their research). In Europe, EPS has grown +13%, and sales are up +6.6%, surprising by +2.2% and -0.08% respectively.

A total of 54% of the 48% of S&P 500 firms that have reported beat estimates by more than one standard deviation. But the market reaction has been poor.

According to Goldman Sachs, where a firm has beaten, the share price rose 36 basis points more than the return of the S&P 500, which is below the average of 103 basis points, as 2019 outlooks gain greater prominence.

But a number of other factors influence share prices. Economic growth concerns are most visible. Here, investors and managements appear to be highlighting profit margin pressures resulting from rising wages and other input costs. Goldman notes that next 2019 EPS revision sentiment has turned negative for the first time since Trump lowered corporate taxes. It's worth noting that analysts are an optimistic bunch that tend to be slightly wide of final earnings. This year's positive EPS revision is only one of six years since 1985 with positive revisions.

Any other significant factors?

Market breadth – or the number of stocks taking part in any up or down move – has deteriorated rapidly over October. Typically, larger than average drawdowns (decline from peak to trough) follow declining market breadth. Since 1980, the average S&P 500 drawdown is -4% over six months. However, following recent sharp declines in market breadth, the average S&P 500 drawdown has been +2x bigger (-11%).

Summary

October 2018 will likely be a month that many will want to forget. The troubles began in the bond market on expectations of higher interest rates but ended clearly in equities, disproportionally impacting US tech stocks with higher, more exposed valuations. Investor focus has clearly shifted to the outlook for 2019 – where expected profit growth is slower than recent times.

It's possible that we haven't fully seen the lows for the year. But markets look to have overshot the fundamental backdrop, and a bounce could be likely. The sharp falls suggest economic growth will slow significantly, this however is even less supported by the ongoing economic data than it was during the last significant correction back at the beginning of 2016.

Q3 earnings delivery is looking solid in the US and Europe. Now that we are around half way through results season, more firms are exiting blackout periods – as we mentioned last week. These factors suggest markets could be supported not just by positive corporate news flow but also a rapid increase in the flow from share buybacks. JP Morgan estimate $50 billion in repurchases this week, then $110 billion next week and $145 billion the week after.

We believe that compared to the last decade, equity returns are likely to moderate lower, in both total and risk-adjusted terms as central banks gradually normalise monetary policy. The low volatility, low dispersion era of the past decade has likely passed. We expect active stock pickers to benefit from higher volatility and dispersion.

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PS: Happy 10th birthday to Bitcoin (which remained remarkably stable in October – having lost 2/3 of its end of 2017 value earlier in the year).

Budget boost if Brexiteers behave

Austerity is "finally coming to an end" declared a triumphant Philip Hammond on Monday. In his third budget unveiling since becoming Chancellor of the Exchequer, Hammond seized upon better-than-expected tax receipts this year to announce the biggest increase in government spending since 2010. Recent tax receipts – which were £68bn higher than forecast by the Office for Budget Responsibility (OBR) back in March – have given the Chancellor some extra cash to play with, and will all be put towards boosting public services.

Almost all of that extra spending will go towards the NHS, which will have increased funding of up to £28bn a year by 2023-24, according to the Treasury. On the other side of the equation, Hammond also announced a cut to income tax worth £9bn. All of this has been achieved without changing the forecasts for government borrowing materially from Hammond's March budget.

Even before the tax boost was revealed, the Chancellor was under severe pressure to beef up spending plans and hammer a final nail into the austerity regime. The Prime Minister had already written austerity's obituary into her speech to the Conservative party conference last month, and reports are that the cabinet had been pushing Hammond to expand the government's fiscal stance. But the unexpected revenue boost meant that he could balance both the party's goals: committing to fiscal discipline while feeding more money into public services.

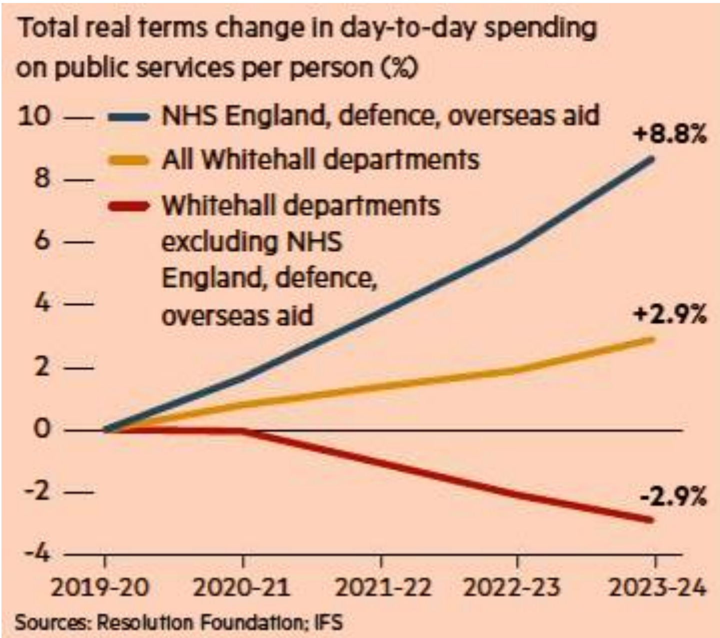
But there was a subtle difference between Theresa May's vision last month and Hammond's plan now. While May proclaimed that "austerity is over", Hammond was keen to stress that "austerity is coming to an end". The Chancellor didn't hand over the gifts right now, but he did try to paint a rosy picture on the horizon. The only complication – which he made sure to mention – is that Brexit lies in the way.

The Chancellor's entire budget projections – and by extension his increased spending plans – are predicated on the government striking a beneficial deal with EU negotiators between now and the official exit date next March. The improved budgetary position the Treasury envisions is dependent on a "Brexit deal dividend": a boost to public finances from clarity over the future of the UK's trading arrangements. According to Hammond, not only will a clear view on Brexit boost growth by removing uncertainty in the economy (which is holding back investment), it will also mean that the government can use the money it's set aside for various Brexit contingencies. His message is that the Tory party can be the ones to deliver boosts to government spending, but only once they are free from the shackles of Brexit uncertainties.

As a political tactic, this makes a lot of sense. Not only have the Tories played up to both sides of their party by sticking to the 'fiscal discipline' narrative while offering to boost social spending, they have packaged the whole thing as Brexit-dependent. With this budget, Hammond is dangling the carrot of improved public finances in front of the brexiteer wing of his party, in the hope that it will stop them from sabotaging any deal that the Prime Minister presents them. They can have their rosy post-Brexit Britain, but only if they abandon dogmatism and behave themselves in the meantime.

As an actual plan for fiscal policy, unfortunately many aren't convinced. On Wednesday, OBR chairman Robert Chote contrasted Hammond's optimism with realism. When asked by MPs whether the Chancellor's foretold "Brexit deal dividend" would yield as much as he hoped, Mr Chote told the Commons Treasury select committee that "It's not clear to me [that finalising a Brexit deal] plausibly delivers a huge fiscal upside," Meanwhile, the Institute for Fiscal Studies (IFS), a leading independent think tank, accused Hammond of taking "a bit of a gamble" with public finances by pledging the increased revenue received all in one go.

Coming from another angle, the IFS also challenged the Chancellor's assertion that his budget marked the end of austerity at all. The think tank pointed out that, once the NHS had taken the lion's share of increased spending, many departments would still face cuts in per person real spending. Outside of the health service, "many public services are going to feel squeezed for some time to come — cuts are not



about to be reversed" according to IFS director Paul Johnson.

That certainly seems likely. While austerity may be "over", that's not to say that fiscal stimulus is on the way. Just like in Hammond's last budget, where a move away from deficit reduction targets led to headlines about the 'end of austerity', the reality is somewhat less spectacular. While the government's fiscal stance is loosening, it's unlikely to have any substantial stimulatory effect on consumers or business.

That brings us to the other point: the supposed "Brexit deal dividend". Regular readers will know that our outlook on the UK economy is relatively positive (compared to others at least). The low value of sterling is allowing British exporters a price advantage over their European competitors (while trading conditions with the EU remain unchanged at least), which is helping to rebalance the economy away from its dependence on domestic demand as well as reducing Britain's large current account deficit (exports minus imports).

But the value of sterling is inextricably tied to markets' view of Brexit. If Brexit prospects improve as the government hopes, it could send sterling higher, which would dampen the benefit exporters have been seeing (particularly if coupled with faster rate rises from the Bank of England). Of course, many would argue that the positive sentiment and increased investment a decent Brexit deal brings would outweigh this negative side effect. And they're probably right. But the point is that, given export strength has been one of the main factors behind Britain's positive economic surprises since the referendum, only a Brexit deal that truly puts an end to much of the uncertainty of the past two years and thus rapidly releases pent up corporate investment would outweigh the dis-benefit the strengthening currency causes in export weakness. That to us sounds overly optimistic given the volume and complication of points still to be resolved through negotiation.

For the Chancellor, that would mean that the fiscal headroom he expects from a Brexit deal might not be as large as he hopes and has already given away. Still, if his fiscal promises achieve what we suspect was one of his main aims – keeping the brexiteer Tory wing from causing an implosion – they might still be for the best.

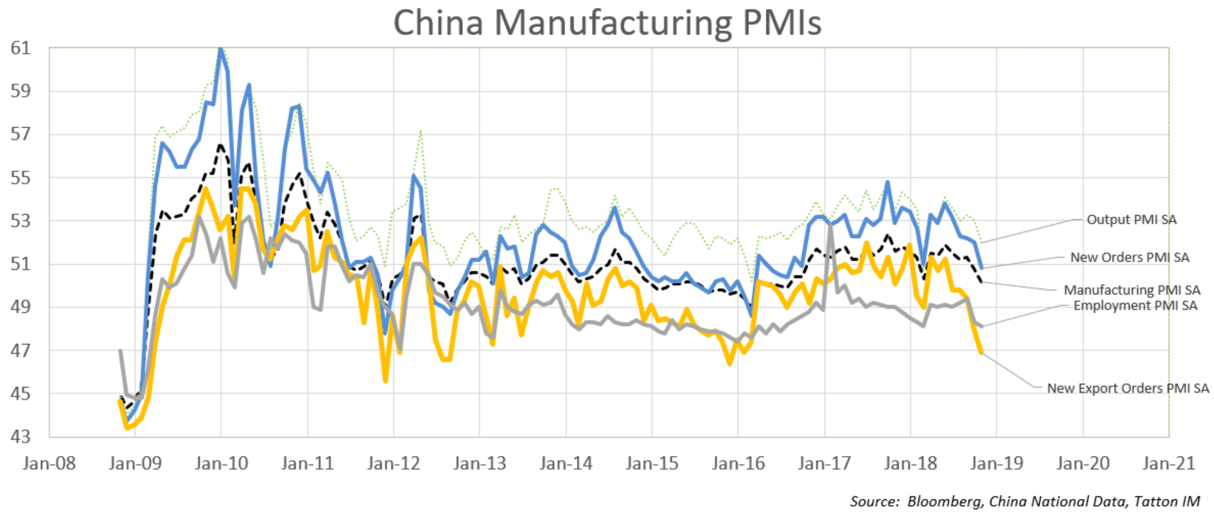
China stock market bounce

China's economic slowdown continues to bite. Official PMIs (purchasing managers indices – measuring business sentiment) came in weaker than expected in October, failing predictions that were already weak themselves.

PMI readings above 50 are usually seen as indicating expansion. However, examination of US data (where the methodology originated) shows that a neutral level of growth coincides with PMI levels slightly higher, at around 51.

The government's latest official manufacturing PMI came in at 50.2 (surveyed in October), below expectations of 50.6 and September's 50.8 figure. Non-manufacturing sentiment was better but showing a similar decline, with a PMI of 53.9 against the expected 54.6 and the previous month's 54.9. The slowing trend has no doubt worried policymakers in Beijing. They will track the employment measure most closely.

One of the most prominent trends from the survey data was the drop-off in new export orders, which for manufacturing are now 4.3% below average, at a level not seen since early 2016, when China underwent a similar slowdown. Overall orders weakened in line with the domestic economy, although remain in positive territory at 50.8. We see this data as confirming that potential tariff rises have



substantially impacted exports already.

Then, just like now, the government's efforts to rein in a burgeoning credit bubble – particularly from the shadow banking sector – took its toll on the economy. As we have written here before, these current deleveraging efforts have now resulted in a self-sustaining liquidity squeeze. The increase in defaults from the government's initial liquidity tightening has increased risk in the economy and made banks unwilling to lend, particularly to small and medium sized businesses. This has caused a cycle of even more companies going bust. Defaults were significantly more prevalent this week. With a number of commercial paper issuers unable to provide redemption funds.

The weak data coming out of China has accompanied the fall in domestic stock prices – as well as October's global downturn in equity markets. And Chinese equities began the week on just as bad a footing, with both the Shanghai and Shenzhen composite indices down over 2% on Monday. But the rest of the week made for more pleasant reading, with the aforementioned indices seeing positive returns on Tuesday, Wednesday and Thursday. Wednesday in particular saw a sharp uptick; the Shanghai composite closed 1.35% higher, while the Shenzhen composite was up 1.39% and the Hang Seng 1.6%.

Strong words from the government seems to have been the driver for the positive market sentiment. Throughout the week, officials in Beijing announced a series of measures designed to stimulate the ailing economy. A series of fresh tax cuts (including a proposed halving of the tax on new car purchases from 10% to 5%) and measures designed to increase lending to small businesses all served to increase investor confidence, with credit spreads even reversing a little on Wednesday and Thursday.

To make matters even more positive, Donald Trump told Fox news on Tuesday that he is hopeful of striking "a great deal" with China on trade. The double whammy of a deleveraging slowdown and a potentially damaging trade war with the US has been one of the main factors keeping down market sentiment in China. So, news that both may be clearing up will no doubt help things.

All of this is causing strong flows in Chinese equities, for the first time in a long while. Given the torrid time for both the Chinese economy and capital markets this year, could this be the turning point for Chinese equities?

There are reasons to think so, but the picture isn't entirely clear. On the Trump front, we are hesitant to take any strong conclusions from what he says or tweets. We have had false dawns from the Trump administration on China before. And with the US midterm elections imminent, this could just be a show of 'Donald the dealmaker' to boost support for the Republican party. After voting is done, and before the G20 meeting later this month, we could well see more pressure on China from the US.

As for Beijing's measures, they may be somewhat more impactful. Back in 2015/16, the government responded to a similar slowdown through massive fiscal stimulus, infrastructure spending and increased credit growth. But we have written before that, despite the slowing economy, a similar full-blown spending spree this time around is unlikely, given that the previous one was what drove up China's credit bubble to near-bursting point anyway.

But Beijing's commitment to counteracting the slowdown is looking more and more convincing by the day. Whereas previous focus was on supporting the state-owned enterprises to maintain the economy's staples, the desire to see increased lending to small businesses shows a recognition from the government of the important role previously played for them by the shadow banking sector. We still don't think that this round of stimulus will be as significant as a few years ago. But it's seems that the measures are having an effect, boosting liquidity available to the markets and raising the prospect of real economy activity over the medium-term.

If the credit crunch is really lifted, confidence could return to China's stock market. This will be particularly so if coupled with tariff relief. There could be a fair amount of upside in the short term. But it's important to note that, even if these measures are successful in getting the economy out of the slump, over the long term it's not good news for China's deleveraging process. Transforming the financial system with proper regulation at the centre, and with adequate credit risk pricing and controls in the regulated finance houses has proved difficult for the developed world and taken over half a century. Even leaning on that experience, it will take China years to get to a similar systemically robust position.

And, as China has proved over the past few months, reform processes create significant headwinds, leaving their already weak system vulnerable. So, accompanying the financial system reforms, the credit bubble will still need to be reined in; anything else is merely adding fuel to the fire.

Last week, we wrote how we could be approaching a turning point for Asian stocks, with the potential strength of China leading the way. This is still true, and Beijing's increased stimulus could well be that turning point. But if they let short-term economic pain dissuade them from deleveraging efforts, that will mean trouble in the long term.

CAMBRIDGE
INVESTMENTS LIMITED

5th November 2018

Global Equity Markets

MARKET	FRI, 16:30	% 1 WEEK*	1 W	TECHNICAL
FTSE 100	7094.1	2.2	154.6	→
FTSE 250	19325.7	5.3	972.8	→
FTSE AS	3904.3	2.7	103.9	→
FTSE Small	5518.8	3.1	164.1	→
CAC	5102.1	2.7	134.8	→
DAX	11519.0	2.8	318.4	→
Dow	25107.9	1.7	419.6	→
S&P 500	2712.1	2.0	53.4	→
Nasdaq	6917.5	0.9	65.1	→
Nikkei	22243.7	5.0	1059.1	→
MSCI World	2040.9	3.0	59.0	→
MSCI EM	971.4	3.4	31.9	→

Global Equity Market - Valuations

MARKET	DIV YLD %	LTM** PE	NTM*** PE	10Y AVG
FTSE 100	4.5	15.3x	12.6x	13.1x
FTSE 250	3.4	8.9x	14.0x	14.0x
FTSE AS	4.3	14.2x	12.8x	13.3x
FTSE Small	4.1	-	13.1x	13.8x
CAC	3.4	15.8x	13.6x	13.3x
DAX	3.2	14.0x	12.3x	12.5x
Dow	2.2	17.0x	15.7x	15.0x
S&P 500	1.9	18.9x	16.6x	15.7x
Nasdaq	1.1	22.7x	19.2x	17.7x
Nikkei	2	15.8x	15.9x	20.0x
MSCI World	2.5	17.0x	15.4x	15.1x
MSCI EM	3	11.7x	11.3x	12.0x

Top 5 Gainers / Top 5 Losers

COMPANY	%	COMPANY	%
MELROSE INDUSTRIES	16.2	BRITISH AMERICAN T	-7.6
BT GROUP	15.3	RECKITT BENCKISER	-5.2
ANTOFAGASTA	11.0	IMPERIAL BRANDS	-2.9
STANDARD CHARTE	10.8	ROLLS-ROYCE	-2.5
TAYLOR WIMPEY	10.6	DIAGEO	-2.3

Currencies / Commodities

PRICE	LAST	%1W	CMDTY	LAST	%1W
USD/GBP	1.30	1.07	OIL	72.7	-6.3
USD/EUR	1.14	-0.17	GOLD	1232.7	-0.1
JPY/USD	113.13	-1.08	SILVER	14.8	0.6
GBP/EUR	0.88	1.21	COPPER	280.3	2.2
CNY/USD	6.89	0.77	ALUMIN	1966.0	-1.4

Fixed Income

GOVT BOND	%YIELD	% 1W	1 W YIELD
UK 10-Yr	1.494	8.0	0.11
US 10-Yr	3.187	3.6	0.11
French 10-Yr	0.785	6.4	0.05
German 10-Yr	0.428	21.6	0.08
Japanese 10-Yr	0.129	14.2	0.02

UK Mortgage Rates

MORTGAGE BENCHMARK RATES	RATE %
Base Rate Tracker	2.34
2-yr Fixed Rate	1.71
3-yr Fixed Rate	1.81
5-yr Fixed Rate	2.01
Standard Variable	4.39
10-yr Fixed Rate	2.68

* The *% 1 week* relates to the weekly index closing, rather than our Friday p.m. snapshot values
** LTM = last 12 months' (trailing) earnings;
***NTM = Next 12 months estimated (forward) earnings

For any questions, as always, please ask!

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The value of your investments can go down as well as up and you may get back less than you originally invested.

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