Weekly Market Comment

19 May 2017

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Trump trade reversal – sign of things to come?

It's always the same. The moment you comment on an anomaly in the markets, it either ends or is significantly challenged. Last week, I wrote about the eerie calm in the stock markets. This week, Trump's got himself into so much trouble with the opposition and the press that markets woke up and staged a 1.5% one-day sell-off. It seems that market participants are beginning to accept that president Trump may turn out a liability to stock markets rather than delivering a boost. The press busied itself with speculations about impeachment probabilities and parallels to Richard Nixon, the only US president to ever resign. Supposedly, that's where markets took fright and volatility returned swiftly.

I personally don't believe we are anywhere near such an impeachment scenario – yet – but corporate USA, which was banking on rapid tax and regulatory burden easing, is seeing Trump's political capital dwindling. This means the probabilities of getting anything done, rather than Washington once again getting stuck in gridlock, have fallen substantially – and that was the reason for the market wobble that had almost been recovered by Friday's market close.

In the UK, the main market's FTSE100 stock index hit another all-time high by breaking through the 7,500 level for the first time. This appeared a bit nonsensical against the backdrop of both the Tories and Labour publishing distinctly business unfriendly policy manifestos. Admittedly, Labour's re-nationalisation plans would be far more disruptive to the free market economy paradigm of the past 35 years than Theresa May's plans to neuter the economy of its 'animal spirits'. However, as she is far more likely to get the mandate to execute her manifesto's pledges, UK's business leaders spent far more time warning against the negative economic repercussions of her policy promises than Labour's. To my mind, the Tories' apparent abandonment of Thatcherism – deeming the forces of the free market economy threats to societal cohesion rather than being desirable contributors to national wealth and prosperity – is just election campaign clamour. Once the Brexit adjustment pains weigh down UK plc prospects, May's 2017 promises will have long been forgotten.

Amongst this noise, the fact that Lloyds bank has reached full re-privatisation status was mostly lost in the back pages. That's a real shame, because it should have been celebrated that, contrary to the wide held public belief that the tax payer lost horrendous amounts of money (which could have funded the NHS), the public purse actually made a handsome profit of nearly £1bn through the bailout. Given RBS is nowhere near a similarly positive outcome, I shall refrain from any "I told you so in 2009" for the time being.

The most interesting piece of news, in this era of de-globalisation, came from the ruling of the European Court of Justice, which clarified that the EU's political bodies have the power to sign free trade agreements without the need of ratification of all national parliaments. That is great news for the remaining members of the EU, who will now see accelerated progress of pending free trade treaties with economic areas around the world. It is too early to say whether this will also help with a post Brexit trade deal, but I struggle to see it as a negative.

Is this more confirmation of our central scenario of steady but slow progress on the path of economic normalisation for the next few years to come? Yes, in principle. But, for the next 3-6 months, stock markets look more fragile. The prospect of political instability in the US, with its potentially devastating impact on business sentiment, is undoubtedly creating short term headwinds for the global economy. So too is the continued monetary tightening the Chinese authorities are inflicting on their economy in order to reign in their fragile financial sector, and these issues are increasingly identified as being at the brink of triggering another mini slowdown cycle.

Such a scenario leaves stock markets heavily exposed, because only a continuation of the recently very strong corporate profit growth will be sufficient to maintain moderate valuation level assessments after the stock market rally of the past 15 months. This becomes particularly evident if we change our perspective from using forward looking earnings expectations to evaluate valuation levels to actual earnings of the past 12 months (forwards P/E vs. trailing P/E). Just applying trailing earnings numbers makes markets appear dangerously overvalued. The danger is that, in such a scenario, markets react particularly violently to any change of economic progress expectation, which can result in short term sell-offs as we last experienced at the beginning of 2016.

As I have written here before, we would most probably see such a sell-off as an opportunity to increase our equity allocations, as long as our abovementioned central scenario has not fundamentally changed. However, right now, and after 15 months of extended stock market returns, we have begun to seriously consider temporarily reducing our allocations to the equity markets across portfolios, until we gain more clarity whether the economic momentum of the past 6 months can indeed be maintained – or the correction actually happens – which I hope it will not.

Brexit pains - or ordinary economic fluctuations?

As was widely reported in the news media last week, the Office for National Statistics (ONS) has calculated that real wages in the UK have fallen for the first time in three years. The ONS report showed that, while average nominal weekly wage growth over the three months to March was

2.1% higher than a year ago, CPI inflation rose 2.3% over the same period, taking real wage growth negative by cancelling out any gains in purchasing power for workers.

The fall in real earnings comes despite the ONS reporting that unemployment is at its lowest level in 42 years – at 4.6%. Typically, when unemployment reaches these low levels (with unemployment staying around or below 5% since late 2015), this puts upwards pressure on wages. So, what has led to this discrepancy between employment and wage growth?

Real wage growth was negative in the years following the global financial crisis (GFC), but 2014 appeared to mark a turning point, after inflation fell to around 0% while wages were on the up. However, the recent figures don't bode well for post-Brexit Britain, with Hargreaves Lansdown senior economist Ben Brettell saying that "household budgets look certain to be squeezed further in the coming months." In fact, April's inflation rate came in even higher than March at 2.7%, meaning that it's unlikely we'll see any real wage growth when the wage figures from last month filter through.

What's more, the Office for Budget Responsibility's (OBR) economic forecasts from last November suggest that the wage trend will extend till at least 2021, when workers are expected to be earning less in real terms than they did in 2008. The OBR predictions are predicated on the divergent paths of productivity (downwards) and inflation (upwards) over the next few years, as Brexit side effects begin to take their toll on the economy.

Up to now, Sterling has taken the brunt of the Brexit-induced economic headwinds, falling sharply against the USD after the referendum 11 months ago, and staying subdued ever since (though the recent rise to $1.30 is the highest since September). This has been the primary driver of inflation, with last month's 2.7% CPI reading being the highest since September 2013.

In the immediate aftermath of the vote (and since), the currency's suppressed value was actually a boon for the economy, as exporters (particularly those of the service sector) benefitted from the increased price competitiveness that the low pound had given them. The all-important services sector – which accounts for nearly 80% of the UK economy – also showed signs of improvement last month. The Services PMI rose to 55.8 in April from 55 the month before, its highest level in 4 months. This was also reflected in the success of the (smaller) manufacturing sector, for whom April brought the fastest growth in three years. The manufacturing PMI (Purchasing Manager's Index – a barometer of business activity and confidence) came in at 57.3 last month –where anything above 50 indicates expansion – far exceeding economists' expectations of 54.

All this amounted to a 0.3% GDP growth in the first quarter of 2017, below forecasts of 0.5%, because the UK's consumers shopping volumes finally slowed. However, it is far from the doom that had been predicted for the UK economy since the Brexit vote. Given all these factors, does the fall in real wage growth bode ill for the economy?

Well, besides the obvious intrinsic benefit to workers of wage-increases, the fall in spending power does have the potential to seriously impact the UK economy. The insatiable appetite of British consumers was one of the main driving forces behind last year's post-referendum growth spurt. This was very encouraging, because business spending and investment – which typically propel growth forward – were actually dampened by the referendum result, as had been predicted.

With wages now beginning to fall behind inflation and consumer credit at levels which look unlikely to be allowed much higher by the lenders, it's unlikely that elevated consumer demand will return, as households will begin to feel their incomes squeezed.

However, on this front we note that last month's retail sales data surprised to the upside. April's figures were 2.3% higher than the previous month's, and 4% up from a year ago. The growth follows a 1.5% monthly decline in March, after data from Q1 had suggested that shoppers were reeling at the higher prices.

Before getting ahead of ourselves however, it's worth noting that both the monthly and yearly growth figures are likely skewed by the late timing of Easter. Nevertheless, the figures are an encouraging sign, not least because it may indicate that the UK's consumers are not reducing their spending, even if further growth may be lacking.

All in all, the UK data is somewhat a mixed bag. If real wages do continue declining as predicted, sooner or later consumer spending will come under pressure, as discretionary household budgets are eroded. Then the question is how long it will last. If we don't suffer further £-Sterling depreciation, then the inflation boost would have been a one-off effect which, after 12 months, should have filtered through inflation figures and thus stop undermining purchasing power any further.

Unfortunately, this is unlikely to be the case, because, different to (for example) oil price hikes, the increase in import costs on the back of the 15% - 20% currency fall was only observed to filter through to the retail sector towards the back end of 2016. Additionally, retailers and overseas producers did not immediately pass on the full devaluation loss. As before, they initially absorb much of it in their margins and then pass it on slowly, to prevent their customers from entirely changing their spending patterns. We therefore expect inflation pressures to persist for the foreseeable future – at least until the end of 2018.

In the meantime, there are some indications that the accelerating economic growth across the Eurozone will spill over to the UK, at least while we remain members of the EU's free trade zone. The £-Sterling depreciation gives us the advantage of still being (for now) in the single market while maintaining an advantage of price competitiveness of exported goods and services. Together with the tightening labour market, this could still lead to nominal wage rises which match or, in the optimistic case, even exceed the impact of inflation.

So, for the medium term (2017/2018), last week's media coverage of the Brexit impact on real wages can probably be interpreted as another bout of scare-mongering as the general election is looming. In the longer term, however, Brexit still means Brexit, and until a clear roadmap to a positive post-Brexit trading environment for Britain becomes available, business spending and investment will remain subdued. Overall, our interpretation of recent UK data is: The hangover from last year's sugar highs is here, but we are fortunate that the free trade zone we have just decided to leave – but are still part of for the coming 2 years (or more) – has become the fastest growing region in the world. So, doomsday isn't quite here yet, but we can't be sure whether there aren't some painful adjustments in the pipeline for the UK, once we are further down the Brexit road.

Public purse or private wealth: Re-nationalising the utilities?

It has been interesting this week to compare and contrast the underlying economic principles in the Labour and Conservative manifestos. One would expect a clear ideological divide, but is this the case?

Gauging the likely impact of these manifestos (and policy intentions), and the possible long-term effects on the UK economy, is not an easy task for investors and markets. However, assessing the economic effects of each party's manifesto is arguably only necessary where there is uncertainty as to the outcome of the election. And, judging by the market's muted reaction to the Labour party manifesto, which proposed fundamental economic system changes, markets may be assuming the current polls are accurate – the election will return a Conservative majority. Of course, recent history has proved many polls wrong. But, virtually all the major polling misses in UK electoral history have been an *overstatement* of Labour's vote share, rather than an understatement.

The Economist, 19 May 2017

One of the proposals in the Labour manifesto that did attract a lot of commentary relates to the party's desire to (re)nationalise some of the utility and transport sectors. The aim is a more democratic ownership structure, and an improved distribution of wealth. Ironically, the same reasoning might also be advanced for keeping these industries in the private sector.

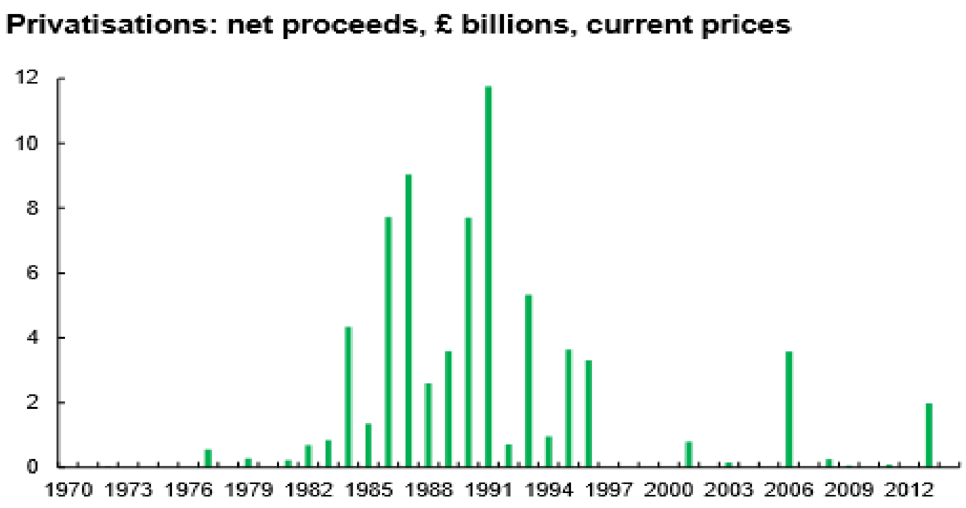
Nearly 40 years ago, with the sale of BT, a Conservative government began in earnest the process of privatisation. By the early 1990s, all of the UK's utility industries had been floated, and estimates suggest that ~25% of the UK population held shares in these newly privatised industries.

While detailed economic arguments were made at the time in support of privatisation, it was primarily ideology that underpinned the programme: reduce Government involvement and expand private ownership. The wider context for the privatisation programme was also instrumental; the public were dissatisfied with the performance of many of the industries, the intermittent nature of key services and the ongoing public financial burden.

The UK model of privatisation (to a certain extent, imported from the US) was subsequently adopted around the world, and even Labour reconciled itself to private ownership of the utility industries. However, after decades of private ownership, debate has resurfaced about the effect of the ownership structure.

This debate focuses on the utility industries. The other big privatisations (British Airways, Rolls-Royce, British Petroleum etc) are rarely mentioned. There is good reason for their omission; most already faced competition at the time of their privatisation and were also quickly exposed to capital (market) discipline, whereas many of the utility companies faced little-to-no competition, and were characteristic of what is called a natural monopoly (I.e. there is little point in offering competing gas pipes, electric mains or sewer systems across the country).

Perhaps in order to ensure as much revenue as possible was generated from each sale, the utility companies were also privatised as "monopolies". Thereby offering share purchasers a relatively stable and predictable investment, and, possibly, a high level of return. The graph below provides a summary of the privatizations in the UK and the net proceeds (to Government). As noted, the proceeds from privatisations were high from the mid-1980s until the mid-1990s, peaking in 1991 at £11.8bn. Since 1997, the proceeds from privatisation have been lower due to the small number of privatisations which have occurred.



Source: H of C research paper, 2014

Economists rarely agree on anything, but they do agree on one thing: while monopoly or market dominance is not bad *per se*, unconstrained monopoly and the associated abuse of market power will hinder the competitive process, harming the consumer and the wider economy.

Therefore, each of the utility privatisations were accompanied by the creation of independent regulatory authorities (Oftel, Ofgas etc.). These authorities set price controls and other behavioural (and structural) measures in order to guard against the consequences of unconstrained monopoly power (and to encourage the efficient development of the company).

However, taking the political parties' promises as a reflection of public mood, both the Labour and the Conservative manifestos would seem to indicate that privatisation and utility regulation has been unsuccessful. Even the Conservative manifesto is proposing Government intervention in the energy sector – preparing to "step in" to control energy prices because the market is "manifestly not working" for consumers.

The extent of intervention proposed in each manifesto appears markedly different; one represents fundamental reform, and the other intervention at a micro-level. In fact, the Conservative's policy is equally political and appears to signal to investors that economic regulation is not working, requiring Government intervention (ownership or control?). In our view, Labour's industrial policy and the Conservative proposal on energy pricing are both questionable.

We believe re-nationalisation of the utilities would be extremely costly to the public purse, and, absent effective regulation, the earlier problems of pricing, service quality, cross-subsidy and politicisation would simply re-surface. Moreover, the term 'democratic ownership' is unclear and becomes irrelevant if customer demand can be met in an economically efficient manner. This would be better achieved by more competition or more effective regulation, not (re)nationalization.

As for the Conservative proposal on energy tariffs, even though less radical, it may actually pose more of a tangible risk for investors. If polling is correct, there is a greater likelihood of a Conservative victory, and the policy could be implemented relatively quickly (as opposed to the unlikely Labour victory where a nationalization process that could take 5-10 years to complete). Also, the proposed intervention ignores the fact that competition has evolved in the retail energy market, and overrides the regulator's independence and authority – again politicising the industry. Investors will be wary of sectors that are continually subject to political risk and intervention.

Q1 earnings – fairly valued or overvalued?

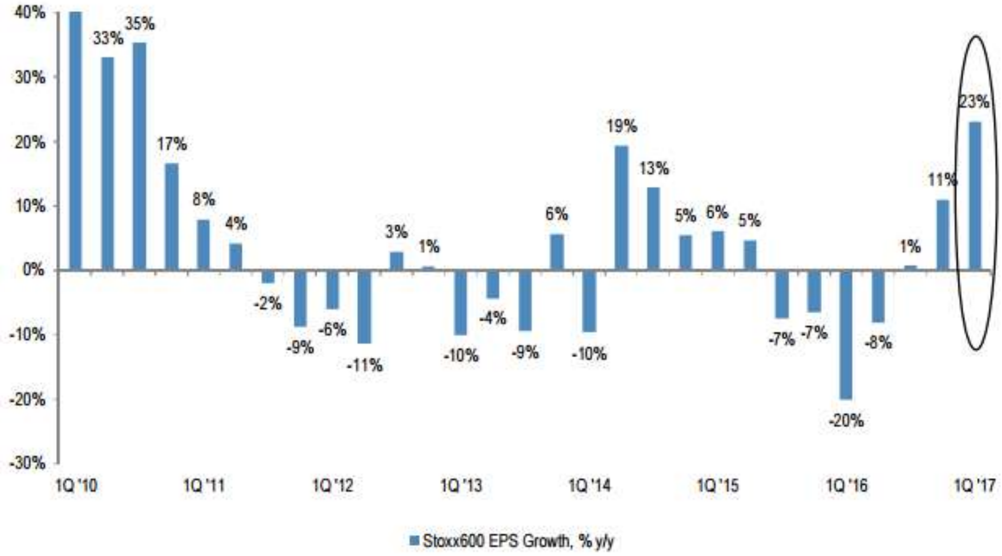
Now that the Q1 earnings season is mostly complete, our analysis indicates that European companies were the key standout of what was a strong quarter for all regions. However, the bar for the next quarter has clearly been raised, and investors might view the recent weakness in commodity prices and flatter activity in leading economic indicators as a driver for softer EPS momentum in the medium-term.

Given the increase in equity prices, the resulting higher valuation multiples could provide a valid reason to take some profits and de-risk portfolios in the shorter-term. It is, therefore, worth having a closer look at the drivers of the quarter's earnings upgrades.

Q1 look-back

The first quarter earnings season was one of the best in nearly 7 years. We note that companies delivered both above average earnings surprises and also double-digit earnings per share (EPS) growth in all developed markets. On a year-on-year (YoY) basis, EPS growth in Japan was +28%, +23% in Europe and 'just' +14% in the US, according to JP Morgan.

Figure 5: Stoxx600 quarterly EPS growth



Source: Bloomberg, J.P. Morgan, 1Q '17 is based on delivered growth to date

Not only did profits grow, but sales revenue or top-line growth was also strong, aided by higher commodity prices, better inflation dynamics and a pick-up in economic activity. European firms saw the best sales growth, up 10%, as the Eurozone economy appeared to move up a gear, while top-line was up 8% in the US and 4% in Japan.

39% of companies listed on the US S&P500 index increased their revenue guidance, the most in over 5 years.

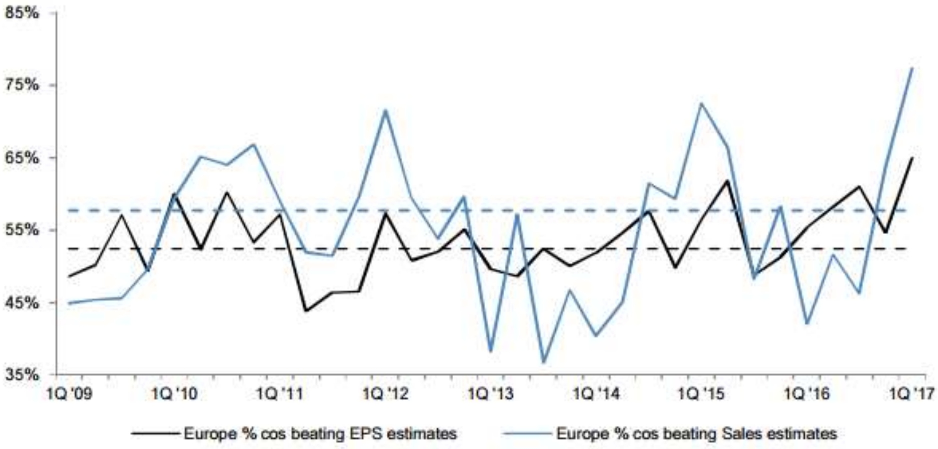
Companies experienced earnings expansion across nearly all sectors, with 10 out of the 11 main industry sectors posting positive growth in both Europe and the US. Investors might not be surprised to learn that the energy and materials sectors had both the strongest EPS and sales growth. Thank you higher commodity prices!

JP Morgan's report shows that the earnings of cyclical firms beat those from defensives in all three regions. In the US, this difference was 12% versus 4%, 19% v 6% in Europe and 32% v 5% in Japan. Interestingly, financial stocks delivered double-digit EPS growth in Europe (+21%) and the US (+18%), which indicates the scope for banks to drive further economic growth through increased lending to both businesses and consumers.

What happened in Europe?

97% of companies listed on the DJStoxx 600 have now reported earnings and, encouragingly, 65% beat profit estimates by an average of 9%. As we highlight above, European firms saw EPS

Figure 6: % of Stoxx600 companies beating quarterly EPS and sales estimates



Source: Bloomberg, J.P. Morgan, dotted lines denote median EPS and Sales beats

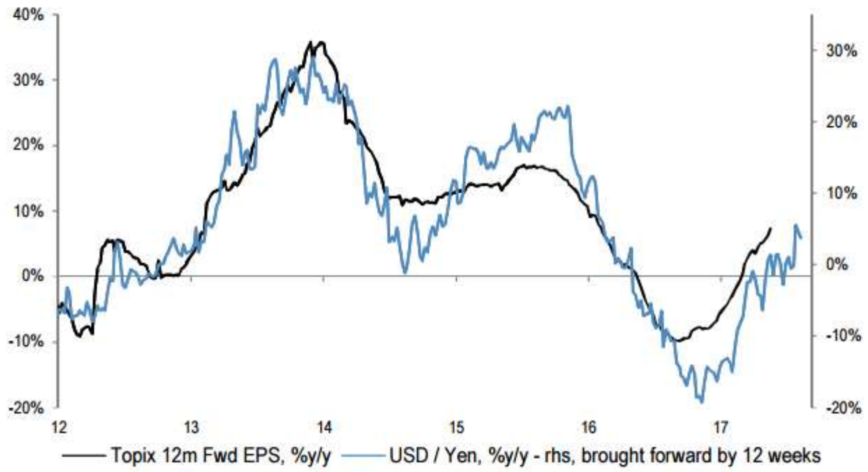
rise 23% but, excluding energy stocks, this falls to 15%. An EPS rise of 23% is the strongest quarter since Q3 2010. At a sectoral level, 10 out of 11 sectors delivered positive EPS growth, with just utilities firms recording a negative reading (higher oil prices and a less cold winter reduced profits).

Additionally, 77% of firms beat sales growth estimates, up 10% YoY, and, encouragingly, all 11 sectors recorded positive top-line growth. In terms of both EPS and revenue surprises, there was a sharp improvement from the last quarter, both moving well above the historic averages and reaching their highest ever levels.

A similar story in Japan

56% of companies listed on the Topix beat profit forecasts, with EPS up 28%. At a sector level, 8 out of 11 sectors posted positive EPS growth. 54% of Topix firms beat revenue estimates, with sales up 4% and 9 out of 11 sectors recording positive growth.

Figure 7: Topix 12m Fwd EPS vs USD/JPY

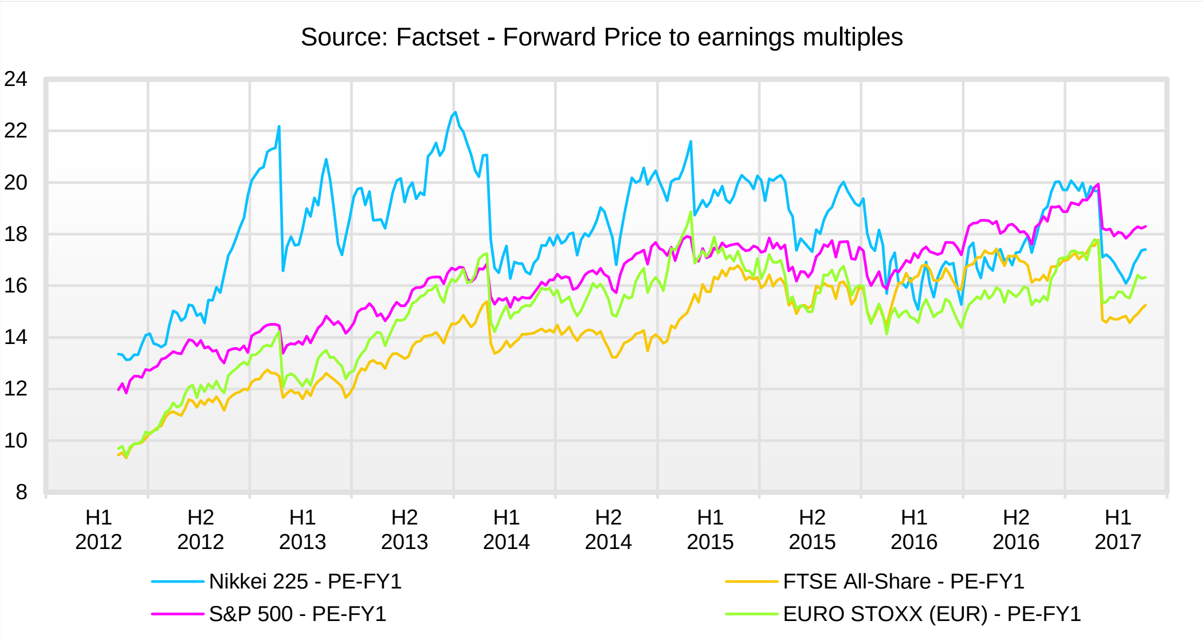


Source: IBES

Japanese firms are more exposed to currency fluctuations, given their reliance on exports. The correlation between earnings and the Yen remains strong, meaning Yen weakness helps improve profits, as the value of overseas sales increases. However, should we see Yen strength (perhaps during a 'risk-off' period), then that could reverse some of the positive momentum.

On the back of a strong Q1, analysts upgraded their forecasts to the highest level since 2011. This drove upgrades to full-year numbers for 2017: 15% for Europe, 21% for the UK, 13% for Japan, 10% for the US and 20% for EM, according for JP Morgan.

Valuations not overly stretched relative to expected future profits



While stock prices have benefitted from improved economic growth and the Trump/reflation trade, rising valuations have been underpinned by rising earnings, resulting in multiples still close to fair valuation levels and appearing only slightly stretched. The graph above highlights the historic 5-year forward price-to-earnings multiples. The average for each market is: 18.2x for Japan, 14.4x for the UK, 16.3x for the US and 14.9x for Europe.

Compared to today, only Japan is trading below the 5-year average, with the other regions trading just above their 5-year average levels (the US being the most 'overvalued'). However, with the stronger earnings growth expected for Europe and Japan, those multiples could move lower still.

Should we de-risk given how strong markets have risen?

As we highlight above, developed markets (bar Japan) could be considered now noting at the upper end of the historical valuation range. What's more, on the back of the strong Q1 earnings we have just seen, for the coming quarters' earnings to match expectations (which form the basis for the above forward valuation multiples) the recent strong earnings growth will need to continue. If this does not happen, then they could quickly become very extended.

As we wrote at the beginning, there are various global economic developments which point to a slowing, rather than accelerating economic environment in the near term. This does not mean we are facing a recessionary period, but there is an increased probability that stock markets have got slightly ahead of prudent valuation levels, by assuming higher corporate earnings growth than may be realistic.

Insurance accounting rule changes: Another nail in the coffin of annuities?

Beneath the headlines about the UK's finance sector appearing to turn a corner (following the full 're-privatisation' of Lloyds Banking Group), lurked the news of changes to accounting rules that could have significant implications for the $13 trillion insurance industry worldwide, particularly for UK life assurance firms who provide annuities.

Is this change yet another nail in the coffin of annuity products?

Investors may have seen the news that Lloyds reached its own historic moment, after the government offloaded its final stake in the UK bank. A decade after the government injected £20.3 billion at the height of the financial crisis, came the welcome news that the taxpayer made a profit of £900 million overall.

The removal of a large 'forced seller' of shares could end up easing the downward pressure being exerted on Lloyd's shares. However, the same might not be true of the UK's insurance sector, where new accounting rules to be adopted in 2021 could potentially lead to both lower and more volatile profits, which could have a negative impact on insurance company valuations.

What is changing?

The International Financial Reporting Standards (IFRS) organisation, the global body that sets International Accounting Standards (IAS), has proposed a new set of rules (IFRS-17) that are due to be adopted in 2021. IFRS-17 targets all types of insurance contracts, including annuities and reinsurance, and aims to bring the last remaining industry into compliance with global accounting rules (IAS).

The objective is to enhance transparency and provide standardised higher quality financial information, which would allow investors to directly compare the relative performance of different insurance firms, regardless of country domiciliation.

IFRS-17 has taken nearly two decades to develop, and experts believe it could cost the sector billions to implement. The UK's Aviva said it would cost the firm "another large number".

What does IFRS-17 do?

In simple terms, future years' revenues and liabilities of insurance contracts are used to calculate the future value of cashflows discounted back into today's terms (Present Value or PV for short), using current interest rates as the discount factor.

If the PV of future cashflows has a positive value or gain at the time the contract is issued, then IFRS-17 would require a "contractual service margin" (CSM) to offset that gain. The CSM would be amortised or spread over the whole life of the contract. In the past, this was not required and future (contractual) profits were booked upfront in the year the contract was signed.

The new rules are a radical change for the insurance industry, as it moves to the new current valuation approach. Essentially, insurance firms would be using an ongoing Mark-to-Market (MTM) framework that banks and other finance firms already use when determining the value of assets recorded on their balance sheet.

What are the implications?

Many investors appear to welcome these changes, with Old Mutual Global Investors commenting that IFRS-17 would “take away the perverse incentive of writing long-term business to achieve a day-one profit”.

Life insurance companies may be most exposed to the new rules, as large annuity writing businesses. Under current rules, any profits from annuities are recognised up front, potentially boosting profits. However, as we note above, the CSM used in IFSR-17 spreads out profits over the contract life (this can be decades for annuities), which means that overall company profits are reduced in any single year.

Analysts at consultancy giant KPMG believe that the profits of some UK life insurers could initially fall between 10-20% when the new rules come into force. Another impact of IFRS-17 and MTM asset valuations is that profits could be more volatile between different periods, due to the impact of changing discount factors over time. This is similar to how banks have to value instruments like derivatives and other assets on their balance sheets.

Did the UK’s pension flexibility not already substantially reduce the market for annuities?

In 2014, then Chancellor George Osborne delivered his ‘pensions bombshell’, which removed the obligation to purchase an annuity and allowed anyone who was over the age of 55 to access their entire pension pot if they wanted, subject to their marginal rate of income tax.

The result of extra freedoms saw those over 55 access around £6 billion in cash from their pensions in 2016. Last year, insurance firm Prudential announced it would be withdrawing from offering annuities to new customers of financial advisers, but it still allowed existing customers access to such products.

So, is IFRS-17 the end of annuities?

No. While we believe this could further shrink the annuity market, annuities may still be appropriate for investors wo are looking for secured income in retirement, particularly those with health issues. Enhanced life annuities might be an attractive option for such people.

PERSONAL FINANCE COMPASS

Global Equity Markets

MARKET	CLOSE	% 1 WEEK	1 W	TECHNICAL
FTSE 100	7469.7	0.5	34.3	↗
FTSE 250	19818.9	0.3	55.9	↗
FTSE AS	4087.2	0.4	16.1	↗
FTSE Small	5592.0	-0.6	-31.1	↗
CAC	5326.1	-1.5	-79.3	↗
DAX	12653.5	-0.9	-116.9	↗
Dow	20781.1	-0.6	-115.5	↗
S&P 500	2383.3	-0.3	-7.6	↗
Nasdaq	5662.7	-0.4	-24.2	↗
Nikkei	19590.8	-1.5	-293.1	↗

Top 5 Gainers / Top 5 Losers

COMPANY	%	COMPANY	%
RIO TINTO	6.7	BRITISH LAND CO	-6.6
CAPITA	5.4	HARGREAVES LANSD	-6.0
FRESNILLO	5.4	LAND SECURITIES	-5.7
KINGFISHER	5.1	TUI AG-DI	-5.3
ANGLO AMERICAN	4.9	INTU PROPERTIES	-4.7

Sovereign Default Risk

DEVELOPED	CDS	DEVELOPING	CDS
UK	31.4	Brazil	265.8
US	26.9	Russia	160.9
France	29.9	China	81.9
Germany	16.5	South Korea	60.1
Japan	30.4	South Africa	203.0

Currencies / Commodities

PRICE	LAST	%1W	CMDTY	LAST	%1W
USD/GBP	1.30	1.12	OIL	53.7	5.5
USD/EUR	1.12	2.42	GOLD	1254.1	2.1
JPY/USD	111.37	1.80	SILVER	16.8	2.3
GBP/EUR	0.86	-1.31	COPPER	258.2	2.3
JPY/GBP	6.89	0.21	ALUMIN	1923.0	2.6

Fixed Income

GOVT BOND	%YIELD	% 1W	1 W
UK 10-Yr	1.1	-0.2	0.00
US 10-Yr	2.2	-3.5	-0.08
French 10-Yr	0.8	-4.2	-0.04
German 10-Yr	0.4	-6.1	-0.02
Japanese 10-Yr	0.0	-14.9	-0.01

UK Mortgage Rates

MORTGAGE BENCHMARK RATES	RATE %
Base Rate Tracker	2.3
2-yr Fixed Rate	1.4
3-yr Fixed Rate	1.7
5-yr Fixed Rate	2.1
Standard Variable	4.3
Nationwide Base Rate	2.25
Halifax Standard Variable	3.74

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.

Lothar Mentel