Weekly Market Comment

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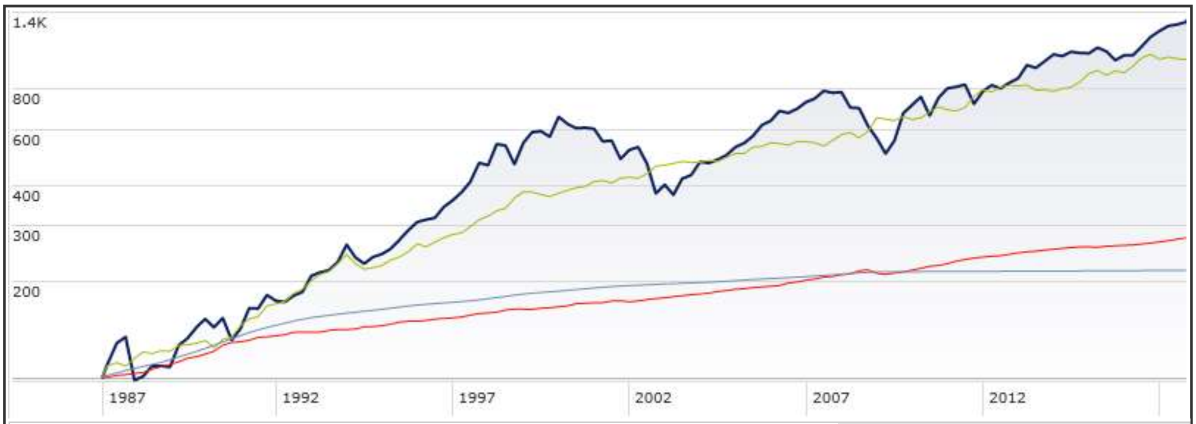


Investment Name	Cumulative Return	Annualized Return
FTSE 100 TR GBP (Market Return, GBP, Pre-Tax)	1,226.74%	8.78%
FTSE Gilts All Stocks TR GBP (Market Return, GBP, Pre-Tax)	900.42%	7.78%
UK RPI (Market Return, GBP, Pre-Tax)	175.10%	3.35%
UK Savings 2500+ Invt NR (Market Return, GBP, Pre-Tax)	117.53%	2.57%

30 years of UK capital market development; Source: Morningstar

30 years

This week, the 30th anniversary of two formidable storms in October 1987 reminded us that extreme weather and capital market events are not something that only started after the year 2000. While most long-term return charts nowadays show the 1987 stock market crash only as a tiny blip, the application of a base-effect cancelling logarithmic scale (as in the chart above) illustrates just why this stock market crash was so unsettling. It may not have lasted anywhere nearly as long as the later crashes that burst the 2000 Dotcom bubble or the 2008 subprime credit bubble, but its severity taught the 1980's privatisation investors that equity investment requires nerves in order to reap the longer term return reward.

Many articles appeared this week, comparing 1987 and 2017 market conditions and warning that it could happen again. Of course it could. As long as the dominating emotions that drive stock market to extremes remain exuberant greed and apocalyptic fear, then extreme stock market volatility is always a possibility.

But are our 2017 market conditions indeed comparable to 1987? In some ways yes, but in other important aspects they are not. The run-up to the 1987 autumn crash was characterised by exuberant investor confidence, with the UK stock market rising over 80% since the beginning of 1986, only to then close 1987 with just a 32% gain over the two years.

The run up to October 2017 has seen far more pedestrian UK stock market returns, even if the cumulative return since the beginning of 2016 still amounts to a very respectable 29.7%(!). The other stark difference is the complete absence of investor exuberance. Quite the contrary, I frequently describe current investor sentiment as constant Armageddon paranoia, while other commentators have called the stock market recovery since 2009 as the "most unloved equity rally in history".

In the absence of exuberant investor confidence, it makes more sense to look at the longer-term drivers of stock market stimulating corporate sector performance – the general and nowadays global economic outlook. This outlook has not changed recently and indeed the resilient and steadily increasing global economic growth momentum could be seen to lull stock markets into a sense of stability that may be illusory.

There are many voices who note that markets appear to ignore the lurking risks as we can identify them aplenty. There is the risk of a hard or badly prepared Brexit because of the procrastination of exit negotiations. The populist tensions risks to the EU, arising from the looming constitutional crisis in Spain over the Catalan separatists' movement. Globally the prospect of a rising US$ and the damage it may cause to emerging market economies. Finally, a slowing economy in China whose new leadership team may choose to increase redistributive measures rather than following down the path of a more purist market economy. Geopolitical risks like the tensions arising from North Korea's desire to be recognised as a nuclear power are even harder to weigh up.

Why then have the previously so fickle stock markets become so seemingly complacent. It is most likely the return of steady and synchronised economic growth around the world and the improvement it brings to business sentiment that lagged so badly ever since the shock of the Global Financial Crisis (GFC). There almost seems to be a sense that decent levels of growth can even out many frictions and prevent 'cold conflicts' from becoming 'hot conflicts'.

From this perspective, I dare to look back further in history. Given we find ourselves 10 years after the first signs of the credit bubble collapse appeared, it may be worth looking to the period of the previous financial crisis that followed the 1929 stock market crash.
With the return of economic momentum and steady normalisation of the global economy and its financial framework, I would argue that 2017 is more reminiscent of the atmosphere of a new start that characterised 1949, than the forebodings of global disaster that were felt in 1939!

We may not be quite there yet, but at least the global economy and the forward looking capital markets tell us that they expect conflicts to be resolved rather than ending in a proverbial 'car-crash'. Until we know for certain we shall remain vigilant in our relentless monitoring of all moving parts in the ever-evolving total picture of global investment market and adjust investors' portfolios under the governance of a level headed and well-versed investment process.

The UK's inflation dynamics - 'back to front'?

UK workers may have become familiar with the recent pattern: Low unemployment, record number of people in work, business complaints about labour and skills shortages – but no wage rises.

This week, the UK's Office for National Statistics (ONS) reported that the country continues to create new jobs at a healthy rate, but higher inflation continues to squeeze real wage growth. This may lead to calls for the Bank of England (BoE) to keep rates on hold, contrary to messages from the BoE that interest rates are likely to rise in the "coming months".

The unemployment rate is now just 4.3%, squarely in-line with forecasts. This is the lowest level since 1975 and what economists would usually refer to as 'very close to full employment'. The economy added 94,000 new jobs in the 3-months to August, which was weaker than the consensus estimate of 150,000 but balances out the surprisingly large gain of 181,000 new jobs seen in the July data.

Over the same period, the total number of those unemployed declined by 52,000 (down -3.5%), while those in the labour force rose by 42,000 (+0.1%). Both total and average hours worked over the 3-months rose by 0.4% and 0.3%, respectively.

As a result of an improving labour market, headline average weekly earnings rose a slightly better-than-expected 2.2% (consensus +2.1%) and July wage data was revised higher by 0.1% to +2.2% for the past 12 months.

Taken together, the labour market and wage data suggests no change to the 0.4% quarter-on-quarter estimate for GDP growth in Q3.

Whilst this may sound like positive news, we must remember that wage growth shown above is purely in nominal terms (absolute growth) and not in real or inflation adjusted terms, and it is here where things are not quite as rosy.

Figure 1: CPIH, OOH component and CPI 12-month rates for the last 10 years: September 2007 to September 2017

UK

Source: Office for National Statistics

The headline rate of UK inflation, CPI (Consumer Prices Index), surged to a five-and a half year high of 3% in September, driven by higher living costs. The 0.1 percentage point rise in CPI was in-line with economist forecasts, largely a result of just three categories: food & beverages, transport and recreation & culture. Price increases in these areas outweighed declines in clothing, education and restaurants & hotels. The only relief came for house owners with mortgages as the index for owner occupied housing (OOH) continued to fall on lower mortgage rates.

But what is behind the increase in inflation, and has it peaked?

The short answer is: The fall in the value of the pound has increased the cost of imported goods and input factors from overseas for UK produced goods respectively. And, in answer to the second part, no, not yet. The two go hand in hand.

At the Treasury Select Committee this week, BoE Governor Mark Carney testified that he thought that inflation would likely "rise over 3%" in the "coming weeks", peaking late October or November. Economists predict that inflation could hit around 3.2% in November, before falling back lower.

Mr Carney was keen to stress higher inflation should not come as a surprise, as they "expected sterling to fall sharply" in the BoE's assessment prior to last years' Brexit vote.

He also said that "the sole reason that inflation has gone up as much as it has is the deprecation of sterling". Essentially, the pound has acted as the "Brexit adjustment mechanism". If UK-EU divorce negotiations sour further and confusion/lack of clarity for businesses rises, then a renewed fall in the pound could be likely, which would place further upward pressure on current inflation estimates.

How does this impact real wage growth?

Adjusting wages for inflation, we see that wages, in purchasing power terms (real), actually fell -0.4%. This means that the average worker earns less today in real terms than they did in 2006, despite the economy being 4.4% bigger per capita.

Incomes have now been squeezed by price inflation for the past six months, so perhaps it is not surprising there would be a negative impact on retail sales volumes. September retail sales data revealed a fall of -0.8%, which adds to the dramatic retail slowdown seen in 2017. Over the past three months, this has taken the annual rate of retail sales growth from 5.5% at the end of 2016, down to now just 1.5%. This is the weakest spending increase for over four years, since the summer of 2013.

The pound reacted negatively to the retail sales data, with international investors seemingly viewing the news as a signal that the economy continues to slow. Unhelpfully, as noted above, further sterling weakness merely adds to the problem of increasing import costs, thereby reducing household spending power yet more.

Some might think this poor economic perspective would keep the BoE from raising interest rates in early November. However, given the numerous communications for a rate rise this year by the UK's central bank, this could cause credibility concerns that would once again be to the detriment of the value of £-Sterling.

Under other circumstances, low unemployment and higher inflation should lead to tighter monetary policy through a rate rise. But, since this inflation is not driven by wage growth and there is a weakening trend in retail sales, this is not the type of inflation that becomes persistent. Therefore, there may not be the need to raise rates, as there is very little risk of the economy overheating.

Still, on Friday the market was pricing an 78.5% chance of a 0.25% rate rise at the BoE's November 2 meeting. But what a difference two years brings. In 2015, CPI inflation was actually negative at -0.1%, but the BoE chose to 'look through' the weak inflation data at that time. Should the BoE now not also choose to 'look through' strong inflation data and stay on hold?

As we laid out last week, we observe that central bankers have become weary of asset price inflation, which may have as much of a disturbance potential on the economy as general price inflation. Asset price inflation is a worry because it leads to asset bubbles, which can cause capital market derailments that depress economic activity levels. Furthermore, a rate rise should be supportive for the currency, and may therefore be more suitable to bring down price inflation and 'stop the rot' than doing nothing.

One final observation is that pensioners or retirees might be much less affected from higher price inflation via the government's 'triple lock', which guarantees that pensions will not fall behind prices, even if wages do. This could widen the gap in intergenerational fortunes and further increase political polarisation trends. If the younger generation begins to believe that they are paying the price for a decision that had greater support amongst the aged, then the cohesion of British society could further drift apart.

We therefore agree with the market implied probabilities and expect a 0.25% rate rise in November, even when textbook economics would suggest otherwise.

New chair for US Federal Reserve – will it matter?

In February 2018, Janet Yellen's tenure as Chair of the US Fed comes to an end, and it is understood that President Trump is already sifting CVs and hosting interviews for a replacement. President Trump has on occasion been critical of Mrs Yellen's policies and stewardship, and, in return, Mrs Yellen has been steadfast in her approach.

Often referred to as dovish (supporting loose monetary policy through low rates and yields), Mrs Yellen's residency at the Fed has been reassuringly uneventful, despite the relative market and economic turbulence during her tenancy. Indeed, if recent performance and CVs are among criteria for selecting the next Chair (and they should be), Mrs Yellen has a very good case for staying. US unemployment is at a record low, financial markets are firmly in recovery mode and US economic growth has steadily increased.

However, quasi-political appointments – the chair of the Fed must be approved by the US Senate – are unlikely to be quite so straightforward, especially in the current US leadership climate. A number of (other) Republicans have also been critical of the US Fed's polices, even to the extent that some have argued for the abolition of the Fed. While this is unlikely, it serves to illustrate the differences of opinion on the role and policies of the Fed.

Even though President Trump has indicated that he is minded to announce his nomination for the job in the next 2-3 weeks, a definitive list of likely candidates has yet to emerge. Market speculation on the likely candidates would suggest a broad spectrum of potential policy outcomes in the long-term, from the (very) hawkish to the (relatively) dovish, depending on who gets the job. Of course, this is not to ignore that it is the entire FOMC (Federal Open Market Committee) and not just the Fed chair who set US monetary policy.

Hawks & Doves

Hedgeye (sourced from the internet, Oct 2017)

According to Gavyn Davies (FT blog writer and ex Goldman Sachs chief economist), a shortlist has already been selected by Treasury Secretary Mnuchin, but no-one in Washington knows which of the names is favoured by the President. However, markets are familiar with President Trump's 'transparent' approach to other recent appointments, and this would suggest that a candidate favouring his proposed tax reforms, as well as less (bank) regulation and a generally hawkish stance, must be at short odds.

Among the candidates for the role is John Taylor, a Stanford Economist best known for his development of the Taylor rule. Mr Taylor has also been critical of the Fed, arguing that a rules-based framework for interest rates should be adopted by the Fed, and that most such rules indicate that current interest rates are too low. Mr Taylor also appears to be a supporter of the President's proposed tax reforms.

The Taylor rule emerged in the early 90's, initially as a descriptive tool, to explain how interest rates are set relative to movements in inflation and (real) national income/output (broadly, GDP). For example, where a central bank observed a divergence in the actual and target rates of inflation, and/or, the bank observed a difference in the national output relative to an economy's potential level of output, the central bank would respond with a change in interest rates.

The level of any change in the interest rate would be determined by the relative importance of inflation and output. In simple terms, whereas higher interest rates help to combat inflation, they may also stunt investment, consumption and growth, resulting in a lower overall level of national output. Therefore, Taylor's rule could have different weightings applied according to circumstances and the objective(s) of the central bank.

But, not all economists (or candidates for the Fed role) subscribe to the Taylor rule. As noted, the rule was largely developed as a descriptor and it is questionable whether it could or should be used mechanistically to prescribe monetary policy. Moreover, it is also questionable whether it would be applicable to all economies and central bank policy-makers. While the Bank of England (BoE) “applies” a form of Taylor rule in its analysis of monetary policy, the BoE’s mandate remains inflation-specific – it does not include either output or employment.

In any event, John Taylor has emerged as result of market speculation (but not entirely speculative). He has not been specifically referred to by the Treasury Secretary or the President, and Gavyn Davies and other commentators believe that his age (71) will preclude him from the race. However, of the other candidates already mentioned by the President, none appear to have the same economic pedigree (perhaps not such a bad thing!).

Equally hawkish is Kevin Warsh, previously a member of the Federal Reserve Board (until 2011), and at least indirectly supportive of the President’s general policy stance. Specifically, that stance is: potential reform of the Fed, a reduction in the inflation target (to 1-2%) and growth in economic activity through supply-side reform (tax cuts). At the other end of the spectrum is Jerome Powell, a former Treasury official and a governor on the Federal Reserve Board since 2012. According to some analysts, Mr Powell has support within the Republican Party, and he would also represent continuity from the Yellen and Bernanke years.

Clearly, the appointment of the US Fed Chair, arguably the most important central bank, is a critical consideration for markets. A move by the US President to appoint a candidate that has a very different policy outlook (relative to Mrs Yellen), could result in a significant shift in market expectations and confidence (and might even temporarily influence the US$). For example, a radical shift towards a more hawkish candidate and a Taylor-oriented approach to monetary policy would result in early and possibly material increases in the Fed funds rates.

It is questionable whether that would be the right type of candidate and policy in general, and especially whether it would be the right type of candidate and policy at this time. In our view, a gradual approach to interest rates and QT (quantitative tightening) is required. This would provide investors and markets with much needed policy consistency and certainty – a moderate and considered macroeconomic approach at a time when economies are still in recovery mode and central banks have become a key component of financial markets.

Markets appear to violently agree with this view – or at least this is how we would interpret the sudden upward surge in US stock markets on Thursday afternoon, when a rumour made the round on Wall Street that Powell was Trump’s latest favourite for the Fed chair!

Communist Party Congress in China: Investment implications?

Wednesday marked the beginning of the 19th Communist Party Congress in China, an event which will set the political agenda for the next five years. As we mentioned some weeks ago, the congress looks to be a consolidation of power for President Xi Jinping, who many experts now expect to lead the country not just for this upcoming five-year plan but beyond the next congress in 2022.

At the time of writing, we are into the second day of this globally significant event and those expectations already look all but confirmed. Mr Xi used his 3½ hour speech to tell delegates time and again that China had entered a “new era” under his leadership. “It will be an era that sees China moving closer to centre stage,” according to Xi. Meanwhile, state-run news reported the creation of “Xi Jinping Thought” as a school of political theory, indicating that it will almost certainly be added to the country’s constitution next week.

That amendment may sound immodest, but it’s hard to emphasise just how significant it would be. China’s constitution is often updated at party congresses, but the only previous leaders whose names are enshrined in the document are Mao Zedong and Deng Xiaoping. What’s more, Deng – a massive figure in China’s post-revolution history – had his contribution recognised only posthumously, and, even then, it was under the less prestigious moniker of “theory”. All of this amounts to an almost-official recognition of what experts have been saying for some time: Xi is now the most powerful Chinese leader since Mao.

From our point of view, this rise in power is significant because, as we discussed here some weeks ago, Xi also appears to be China’s most ideologically Maoist leader since the man himself. In his marathon speech, Xi only spoke the word “market” 19 times, compared to the 51 times used by then-president Jiang Zemin at the 1997 congress. He emphasised that he would continue to make the world’s second largest economy more stable by containing financial risks – alluding to the government’s recent interventions to curb China’s burgeoning credit growth.

He also stressed the need for “Socialist Modernisation”, making it explicit that he and his circle see strong party control as central to the economy over the next decade. There would be great changes in China’s economy, but we would note that they will unlikely be focused on the market liberalisation that we in the West associate with the word “reform”. Xi’s vision of reform carves out a big role for the state-owned enterprises (SOEs), with a promise to make the ‘national champions’ bigger and stronger on the global stage, but also more efficient. To us, that means tightening central control, as well as driving forward with the anti-corruption push announced at 2012’s conference.

More interestingly from an investment perspective are the new measures to exercise greater control over the ‘new economy’ companies, which until now have been outside of official state control. The state is reportedly planning to acquire shares in internet giants such as Baidu, Alibaba and TenCent, while they are also asking for a larger party role in corporate decision-making among the country’s big private companies.

The communist party already has cells within all enterprises, but now leaders want to make that influence official, vastly expanding state-control in corporate governance. According to a Canadian news outlet, no less than 32 mainland Chinese companies whose shares are traded in Hong Kong have proposed changes to their legal structure that will see the party made an official adviser to their board. If the plans go ahead, the party will then have an official say-so on day-to-day management decisions.

Should this matter? After all, as we have said here before, Chinese assets make up only a relatively small portion of global investment portfolios. The world’s second largest economy doesn’t usually affect the average investor through the value of its shares, but through its effect on the global macroeconomic picture. And on that front, things are going rather well. China’s economy grew 6.8% year-on-year in the third quarter of this year, making it all but certain to outpace its target of “around 6.5%” for 2017.

Of course, this misses a crucial aspect. Putting aside worries about what the micromanaging and as-and-when interventions will do to the overall economy (see our previous entries on Beijing’s whack-a-mole approach), the fact is that Chinese companies are already among the world's largest, and so at some point their shares *will* be a staple of global investment portfolios. Fund managers are already gearing up to invest in China's A-shares market (mainland shares quoted in RMB and usually unavailable to foreign investors). As the FT's John Authers wrote last month, gaining the opportunity to invest in China has already embroiled some large investors in a "Faustian bargain". BlackRock, Fidelity and Schroders all voted in favour of the communist party writing itself into company law earlier this year.

What this highlights is that, when the inevitable does happen, investors will be faced with a very unique problem of ownership. You can buy and sell Chinese companies, but you can't 'own' them. Ultimately, the allegiance of company decision-makers is to the party. This is important, because the party's goals are about the country, not the company and certainly not the shareholders.

In concrete terms, this will likely mean that, in times of crisis, dividends won't get paid. As we wrote a few weeks ago, the Chinese leadership's priority in economic downturns will be ensuring a positive *social* outcome, meaning that big businesses will likely be asked to bear the brunt – by way of dividend cut-offs or worse. This adds a peculiar dimension to the risks of Chinese assets, making governance structure a key element of companies' valuations. In the H-shares market (quoted in Hong Kong), foreign investors demand and receive a discount for companies controlled by the state. But, in the A-shares market, this discount is much smaller. Whether that means A-shares will eventually be 'worth it' for foreigners – and what effect that will have on overall global risk – remains to be seen.

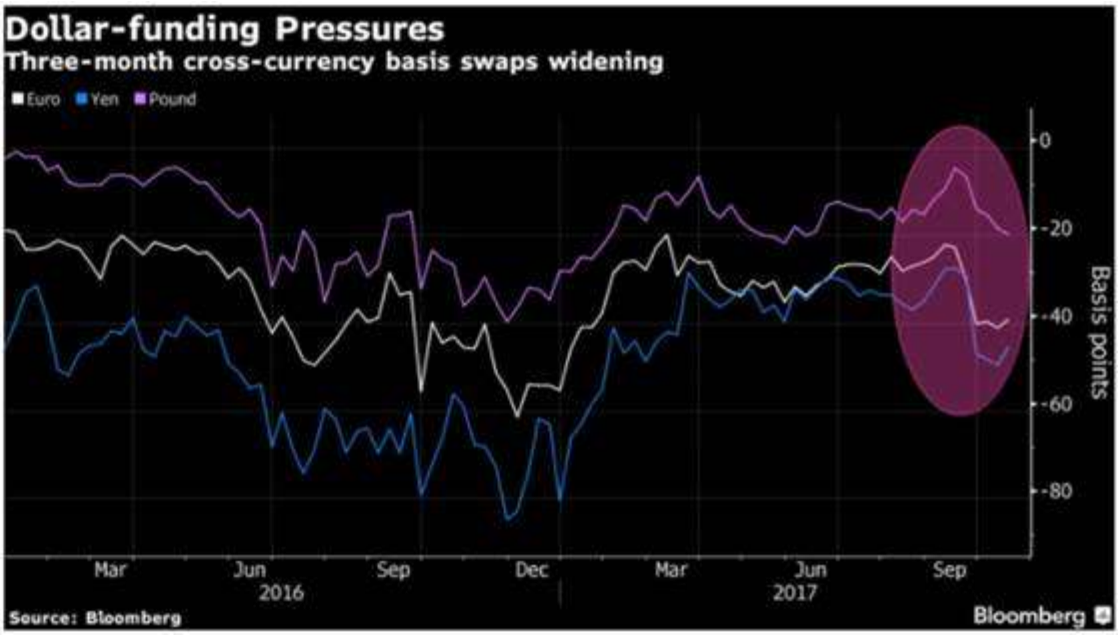
4 letter financial acronym with predictive qualities for currencies: CCBS

The little understood world of Cross Currency Basis Swaps (CCBS) is throwing up warning signals. The price levels on certain currencies have started to increase (or widen, as it's often called).

In simple terms, CCBS are used by investors and company treasurers to borrow one currency and lend another (usually their own base currency) over a fixed period. A Chinese company outside the US might want dollars for a year. They swap yuan into dollars, receiving yuan bank rate interest and paying dollar bank rate interest plus the basis swap rate (usually quoted in basis points, 0.01%).

In terms of size, the market is massive. The Bank of England's semi-annual survey published in July shows that the London foreign exchange market (spots, forwards, options and swaps traded) is an absolutely staggering $2.8 trillion per day! Of that, swaps account for nearly $1.39trl, more than direct currency transactions at $1.25trl. This is larger than the value of both stocks and bonds traded globally per day. As such, this market is of significance to investors in other markets.

One might expect large companies to have easy access to borrowing and lending in different currencies. Indeed, a Chinese exporting company would earn dollars and have most of its costs in yuan. If trade was the driver of basis swap levels, you might expect that exporting companies would need their base currency more than dollars (or the currency of any major importer such as the UK).



However, the CCBS market does not indicate this. Generally, demand for dollars has been greater than other currencies. It appears that the need for capital drives the basis swap. Indeed, the CCBS market has acted as an indicator of when capital outflows strengthen.

As the graph from Bloomberg show, swap rates have begun to widen.

The US$ has been weak for much of 2017, but things appear to have changed. There's never a single cause; it may be related to heightened political tensions with North Korea, Catalonian independence, Brexit negotiations, or the expectation that US tax changes could trigger the repatriation of offshore cash. In the past few years, the biggest influences on swap levels have been ascribed to US monetary policy and domestic Chinese investors.

As for Chinese capital flows, the renminbi (or yuan) spot rate against the US dollar has now stopped its recent rise. The seasonal pressure tends to build over the winter, as individuals attempt to utilise their yearly allowances. The yuan-dollar swap level is wide but has actually tightened marginally in recent days.

Rather, we think the moves are driven by changing views on Fed tightening. The Fed looks set to increase the pace of its balance sheet roll-off each quarter, draining an estimated $1 trillion from bank reserves by the end of 2019. This should place upward pressure on US rates relative to Europe and this might make it harder for global investors to obtain dollar-funding.

The next Fed chair is discussed in these pages by our economist, Duncan, above. On a slightly technical note, if a dovish candidate like Powell comes in, or if Yellen remains in her post, then the Fed might favour a policy of a "floor" system that would seek to ensure ample dollar liquidity. However, if a more hawkish candidate such as Warsh or Taylor gets the job, then the Fed might employ a "corridor" system. This might lead to increased scarcity of reserves and increase open market operations, which would raise volatility as the Fed is more active in the market.

The current situation of negative CCBS might suggest that the structural tightness in dollar liquidity never really went away, despite the weaker dollar. However, if dollar-funding markets start getting tighter, we suspect that Emerging Markets – who hold around $10 trillion of offshore (Euro) dollars

– could start to come under pressure from higher US rates. At the very least, rolling over dollar debt periodically might become harder for some of the region's banks. This could have some negative implications for markets heading into 2018. All in all this says to us that markets expect the period of US$ easing to have ended for the time being.

PERSONAL FINANCE COMPASS

Global Equity Markets

MARKET	CLOSE	% 1 WEEK	1 W	TECHNICAL
FTSE 100	7518.5	-0.2	-17.0	↗
FTSE 250	20137.6	-0.6	-121.9	↗
FTSE AS	4125.8	-0.3	-11.3	↗
FTSE Small	5833.1	0.2	9.3	↗
CAC	5368.4	0.3	16.7	↗
DAX	12958.4	-0.3	-33.4	↗
Dow	23241.5	1.6	369.8	↗
S&P 500	2569.0	0.6	15.8	↗
Nasdaq	6109.1	0.3	16.7	↗
Nikkei	21457.6	1.4	302.5	↗

Currencies / Commodities

PRICE	LAST	%1W	CMDTY	LAST	%1W
USD/GBP	1.32	-0.74	OIL	57.6	0.8
USD/EUR	1.18	-0.28	GOLD	1282.3	-1.7
JPY/USD	113.43	-1.42	SILVER	17.1	-2.0
GBP/EUR	0.89	-0.45	COPPER	315.1	0.5
JPY/GBP	6.62	-0.62	ALUMIN	2153.0	0.3

Fixed Income

GOVT BOND	%YIELD	% 1W	1 W
UK 10-Yr	1.3	-3.1	-0.04
US 10-Yr	2.4	4.6	0.10
French 10-Yr	0.9	5.3	0.04
German 10-Yr	0.4	11.2	0.05
Japanese 10-Yr	0.1	17.2	0.01

Top 5 Gainers / Top 5 Losers

COMPANY	%	COMPANY	%
PEARSON	9.2	MERLIN ENTERTAI	-17.2
INTL CONSOLIDATED	5.9	RECKITT BENCKISER	-8.1
RSA INSURANCE GR	5.0	CAPITA	-8.0
PROVIDENT FINANCIAL	4.8	UNILEVER	-7.3
STANDARD CHARTE	3.3	FRESNILLO	-6.6

UK Mortgage Rates

MORTGAGE BENCHMARK RATES	RATE %
Base Rate Tracker	2.4
2-yr Fixed Rate	1.4
3-yr Fixed Rate	1.6
5-yr Fixed Rate	1.9
Standard Variable	4.3
Nationwide Base Rate	4.5
Halifax Standard Variable	3.74

Sovereign Default Risk

DEVELOPED	CDS	DEVELOPING	CDS
UK	24.5	Brazil	171.1
US	24.8	Russia	130.9
France	21.0	China	54.6
Germany	11.8	South Korea	70.4
Japan	35.9	South Africa	171.8

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