Tatton

Investment Management

Weekly Market Comment

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Trick or treat season

It's been a bit of a nervous week in equity markets, and not a brilliant week for bonds. In Europe, the ECB did its best to help EU equities; while UK stocks are lagging for several reasons, mostly associated with all things Brexit in the minds of many city commentators.

Regardless of any general view on our exit from the European monolith, the inability of our lead negotiator to be consistent with the Prime Minister (or even just with himself) suggests degrees of ineptitude. It is a small irony that, Theresa May's best political ally currently seems to be Angela Merkel. A reasonably warm relationship is emerging, much helped by May's evolving humility. Merkel, the European leader most able to concentrate on European issues (rather than internal considerations), must be watching the continued rise of anti-immigration sentiment across EU and what it means for the EU negotiating position. Despite the confrontational noises from the negotiators, it may be that the sides are getting closer, not further apart. We'll have more to say on this in the next couple of weeks.

Whatever the case, the negotiations were probably not at the heart of our stock market's performance. This week there have been three 'stand-out' results on the FTSE 100. First up, - Barclays shares were down 7.4% to their lowest in a year, after the bank missed estimates for the third-quarter, on the back of weak trading performance at its investment banking division. Barclays has been the worst-performing bank on the FTSE 100 this year, down 18.6% year-to-date. The more UK-centric Lloyds Banking Group, owner of the biggest UK mortgage book, saw their shares rose supposedly because of potential rate rises. In the pharmaceutical sector, GlaxoSmithKline shares fell, its biggest daily fall in 9 years, to their lowest level since the Brexit vote. Still, Morgan Stanley estimates UK 2017 earnings growth of more than 20%, against 12.6% in Europe. Unfortunately, a lot of this is on the expectations of a weaker pound.

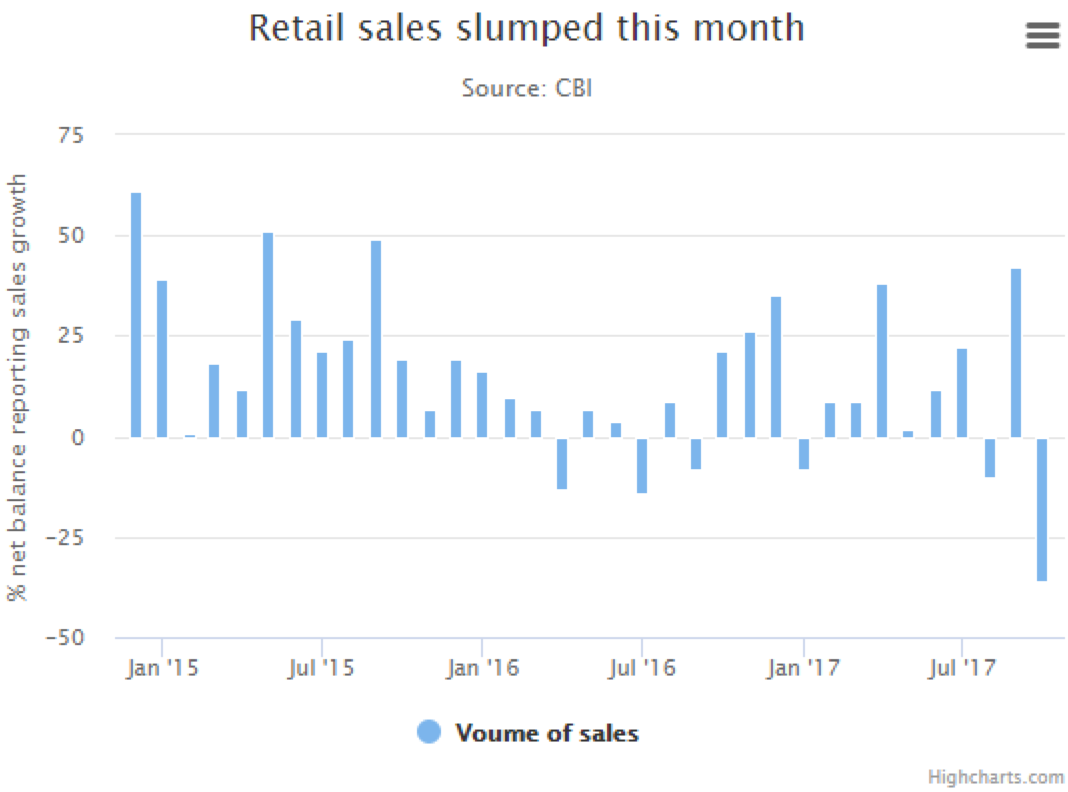
The CBI's Distributive Trades Survey published on Thursday, made for depressing reading from the point of view of consumption. The EY Item Club, who conduct the survey for the CBI, said:

"The CBI survey has been particularly volatile over the last few months, and there may have been some corrective elements in October's sharp drop after a very strong reading in September. Nevertheless, there is no getting away from the fact that this is a very weak report.

…squeezed, cautious consumers are holding back on their spending at the start of Q4. It reinforces our suspicion that the economy is unlikely to see any marked pick-up in activity in the near-term despite GDP growth edging up to 0.4% quarter-on-quarter (q/q) in Q3 from 0.3% in Q2 and Q1.

Retailers will be fervently hoping that the very weak October performance is primarily a consequence of consumers temporarily limiting their spending before the crucial Christmas shopping period gets underway. Consumers look certain to suffer from ongoing negative real income growth through the tail end of 2017 and the start of 2018 as inflation likely hovers at 3% or just above and earnings growth remains limited to slightly above 2%.

The main support to consumer spending is coming from recent strong employment growth."



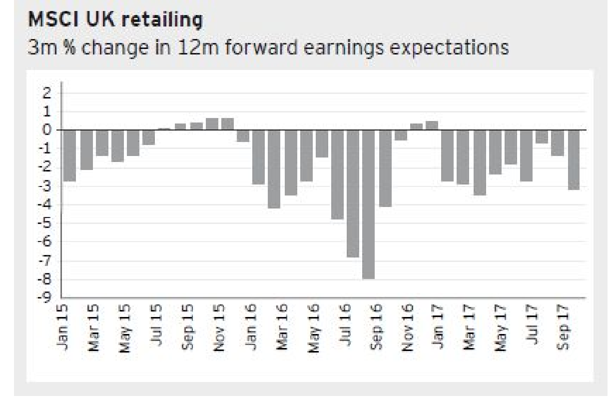
The squeeze on consumers should progressively ease in 2018 due to inflation falling back markedly (as the impact of sterling's sharp fall drops out). There will also likely be a gradual pick-up in pay in both the private sector and the public sector (due to an easing of the pay cap). However, employment growth could lose momentum.

The weakened CBI survey is unlikely to deter the BoE pressing ahead with an interest rate hike from 0.25% to 0.50% on 2 November - given the pick-up in GDP growth in Q3, inflation of 3.0% and an unemployment rate down at 4.3%.

Tim Denison, head of retail intelligence at Ipsos Retail Performance, said to the Telegraph: "The state of retail health is in danger of reaching a tipping point not seen since 2012, when the festive 'shot in the arm' isn't enough to counteract the ongoing issues with rising costs and squeezed margins."

In a busy week for EY, they published their half-year report on profit warnings. (http://www.ey.com/uk/en/issues/capital-and-transactions/restructuring/ey-profit-warnings) Retailers, again, were at the heart of despondency.

"The rise in FTSE General Retailers profit warnings isn't dramatic – 31% have warned in the year to the end of Q3 2017 compared with the year to Q3 2016. But this is against a backdrop of falling earnings expectations.

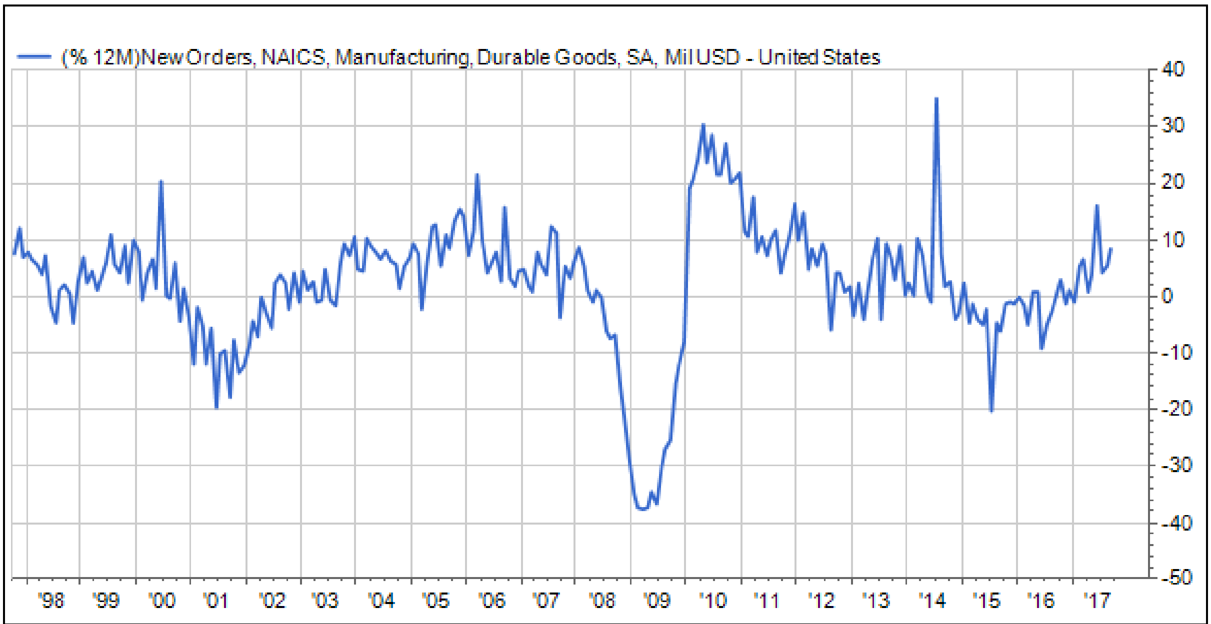


(Source: EY)

Thus, it was not surprising to hear renewed dovish noises from one of the Bank of England's monetary policy committee. Jon Cunliffe said "I am not going to try and anticipate the meeting, but for me the economy has clearly slowed this year. It has slowed because of the squeeze we have seen on real incomes and imported inflation from the depreciation [sterling] that has come in. And pay has remained relatively subdued."

Expectations of a November rate rise did not change materially though. Indeed, sterling bond yields actually rose dragged higher by rising yields especially in the US.

Away from the UK, data pointed to strong growth. Of note, the US Q3 GDP rose 0.75% in the quarter (a 3% annualised rate and well above expectations): the US and European preliminary Purchasing Manager reports, published by Markit, continued the marked strength of recent months, the US durable goods orders climbed further.



Source: Facstet / US Census Bureau)

US bond yields are heading back up. And, while quiescent inflation has tended to dominate discussions about central bank policy, it may be that the bond markets are responding to supply and demand rather than expectations of the Fed's moves.

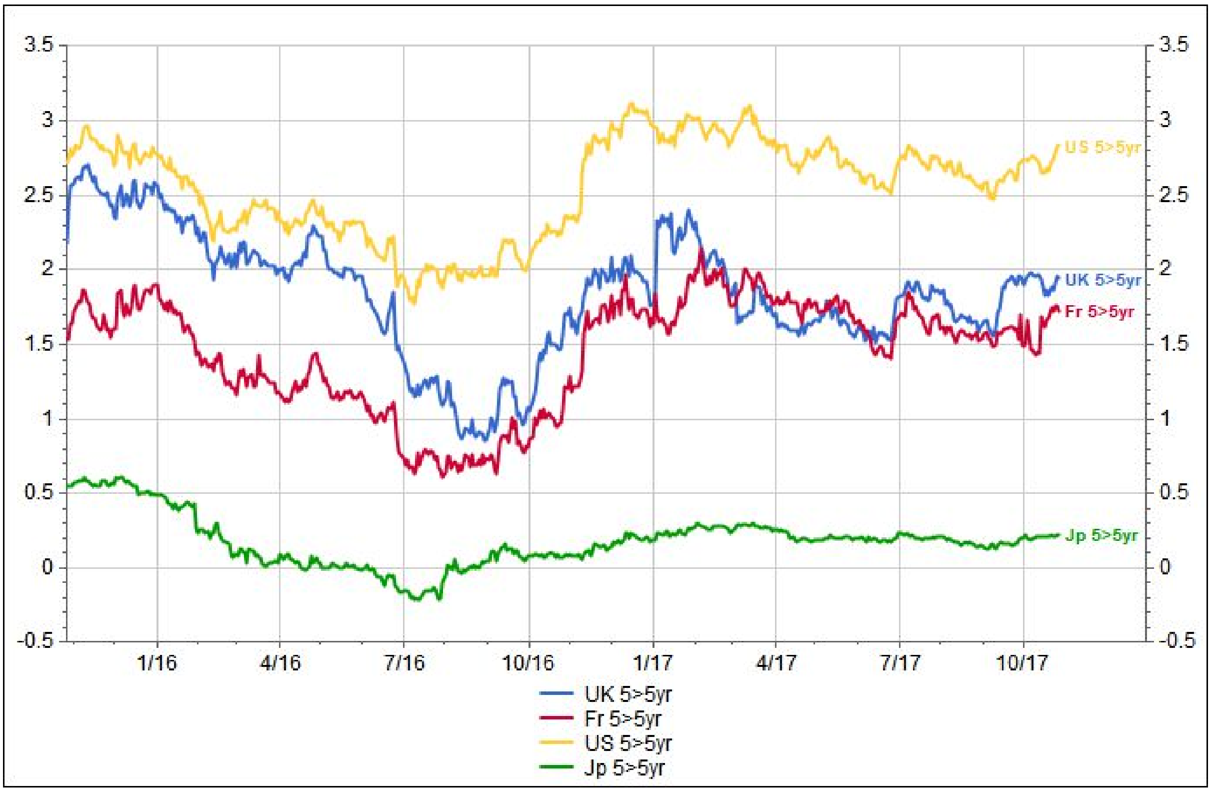
The process of second-guessing the Fed or any other rate-setting central bank is only possible in the relatively near future – say, about 3 years. After that point (essentially beyond "the cycle") the market is more likely to focus on the long-term economy's growth and inflation as a better determinant of rates.

We try to look at what a 5-year bond will yield in 5 years' time.

You can choose to invest in a 10-year bond or a 5-year bond now and then invest again in a new 5-year when it matures. The current 5 year has a return of 2%. When it matures, what will the next 5-year bond have to return so that you match the 2.5% return on the 10year?

Intuition says 3% - you need the average of the two 5year bonds to equal the return of the 10year. (there are some complications which cause the actual answer to be slightly different but the intuition is basically correct, especially when returns are relatively low).

Using this, we can calculate the "5-year bond yield, 5-years forward" (5>5yr in our shorthand):



(Source: Factset)

This shows that confidence in the ability of economies to generate nominal growth is rising (at least, that's probably the best interpretation). Indeed, we would be unsurprised to see the US 5>5yr rate heading past the 3% level in the next few weeks.

Supply of bonds seems to be increasing. Having hoarded cash, companies are showing signs of increasing capital expenditure. This comes at the same time as the US government is having to increase its bond issuance (due to lower than expected tax receipts – admittedly a conundrum). All at the same time as the expected "Tax Reform" increases further their budget deficit and the Fed reduces bond holdings.

As for this week's ECB's announcement regarding the slowing of their Quantitative Easing program, our guest economist Duncan O'Neill writes in more detail below. Long story short, the markets saw the ECB announcement as determinedly dovish.

- The retention of the "forward guidance" – i.e. short term rates will not go up until the "outright" bond purchases have ceased
- outright bond purchases will continue at least until September 2018 and may go on longer
- maturing bonds, will be reinvested for "an extended period" (well beyond Sep 2018).

For equities, the continued support for corporate credit was especially positive. Credit problems occur when you have to roll over maturing bonds so the ECB's commitment to use maturing bond proceeds to buy bonds is a big fillip. Credit spreads came in sharply after the announcement and that flowed through to equities.

This is a final (slightly less positive) thing to note. The earlier part of the week looked as if we might be about to see some selling of risk assets. One indicator was in "carry currency" trades.

A favourite trade of leveraged investors is to borrow a low yielding currency and put the proceeds into a high-yielding emerging market short-term deposit such as Turkish Lira.

On October 9th Turkey arrested a Turkish citizen employed by the US embassy, creating a spat with the US. The Turkish Lira fell sharply but subsequently rebounded. However, this week, it has resumed its weakening. Other emerging market currencies have also shifted down, such as the SA Rand.

(Source: Factset)

These moves tend to be associated with risk-off episodes and, in particular, equity markets turning weaker. If bond yields head higher, driven by the US, we might find that equity market valuations come under pressure. A strengthening economy means better earnings prospects but can take it away because you have to discount the cash-flows using a higher interest rate.

ECB Monetary policy: lower and longer than a snake's belly

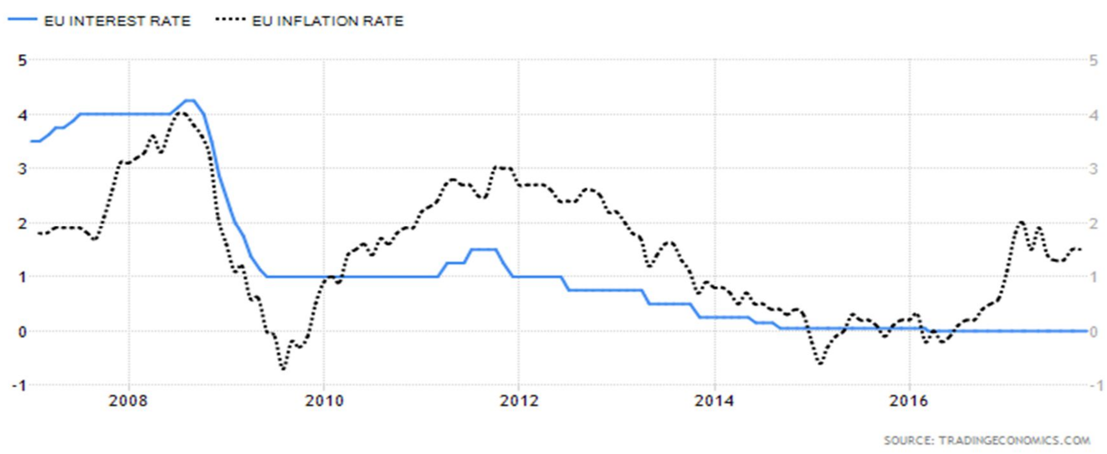
At a time when economic confidence is not as high as it could be and markets are still feeling a little hesitant, it is encouraging when market expectations generally align with central bank policy. If nothing else, this would seem to indicate that there are no "information gaps" and markets are reading the economic runes in broadly the same way (with a diminishing probability of a policy and/or financial shock).

That was certainly the case this week, when the ECB's (European Central Bank) policy announcement effectively met with market expectations. In advance of the ECB's announcement, markets expected no change in the main interest and deposit rates, but were anticipating some important comments and "forward guidance" on the ECB's general programme of quantitative easing (QE).

The build-up in market expectations was largely a result of Mario Draghi, President of the ECB, clearly signalling over the last few months that the ECB was minded to reign in its QE programme. Indirectly, the expectations were also a result of the gradual appreciation in the €-Euro (this would dampen demand and weaken – import related – inflationary pressure across the EZ).

In the event, markets were pretty much on the mark, although the ECB's announcement was a little more nuanced than some might have expected. The ECB decided that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility should all remain unchanged at 0.00%, 0.25% and -0.40% respectively. We set out in the graph below the European "benchmark rate" (effectively the refinancing rate) relative to EZ inflation.

European Central Bank interest rates: no change



Source: TradingEconomics, October 2017

As for QE, the ECB confirmed that net asset purchases, at the current monthly pace of €60bn, will continue until the end of December 2017. However, there was a little departure from market expectation on the direction and duration of the QE programme beyond December 2017. The ECB announced it would extend its bond buying through to September 2018, but reduce the volume of purchases to €30bn a month from January onwards.

The central bank said it could extend the purchases beyond September 2018 "if necessary," and that, if conditions deteriorated, it was ready to increase the purchases in terms of size and/or duration. Moreover, in the press conference, Mr Draghi set a generally dovish tone. He was careful to point out that the asset purchase programme is not being tapered; he referred to the ECB's policy as a "down size", not a taper. This distinction is likely more PR than policy – we're not sure there is a material difference between downsizing and tapering.

However, Mr Draghi's messaging is supported by the fact that the ECB intends to reinvest principal payments from maturing securities it has purchased "for an extended period". The ECB reiterated that net asset purchases (QE) could continue beyond September 2018 if necessary and, in any case, until there is a sustained adjustment towards the ECB's inflation target of 2%. There was no reference to the issue of asset scarcity, that is, whether the ECB will eventually run out of assets to purchase.

As we have previously written, in order to avoid any market shocks and undo all of the work to date, the unwinding of QE will require careful management over a long period, a gradual approach consistent with managing money flows and interest rates toward target inflation.

This is exactly how the ECB wants to manage its "down size" of QE – slowly and carefully. Judging by the immediate changes in currency and yields on the back of the ECB announcement, Mr Draghi is right to take a very gradual approach; the €-Euro was down ~0.5% and yields on (European) sovereign paper were down by ~4 – 5 bps.

According to the ECB, today's announcement preserves the loose financing conditions needed for a sustained return of inflation. The recalibration of asset purchases reflects confidence in the gradual convergence of inflation rates towards the target, on account of the ongoing economic expansion. It also reflects an uptick in measures of underlying inflation and the continued effective pass-through of monetary policy measures to the financing conditions of the real economy.

However, price pressures in the EZ are still muted. The economic outlook and the path of inflation would seem to be conditional on continued support from the ECB's monetary policy. Therefore, in the ECB's own words, an ample degree of monetary stimulus remains necessary for underlying inflation to continue to build up and support headline inflation developments over the medium term.

Clearly, a more rapid recalibration of asset purchases (QE) could materially impact the €-Euro; it would begin to appreciate against other currencies. As noted, a stronger €-Euro would likely have a negative effect on the ECB's general objective of fostering more economic activity and inflationary pressures. Indeed, general market and currency movements could become an even more important consideration for central bankers.

For example, in light of the ECB's decision, it will be interesting to see how the BoE (Bank of England) chooses to navigate through the economic conditions in the UK. Given the recent (above consensus) growth figures and inflation at ~3%, odds appear to be shortening on a rate hike next week. However, this might lead to an appreciation in £-Sterling, putting it in "competition" with the €-Euro. This could throw up a few issues, because currently the EZ would benefit from a further depreciation in the €-Euro, while the UK arguably still needs a competitive £-Sterling.

Another issue worth noting is the ECB's approach and description of QE, and the increasing distinction with interest rates. To date, the ECB has been careful to describe QE as non-standard monetary policy. I.e. QE and interest rates should not necessarily be viewed as a single monetary policy. They are quite separate and distinct policy tools.

Even though the ECB is reducing the volume of asset purchases from January 2018, it again indicated that interest rates would remain at present levels well beyond the end of the asset-buying programme (now September 2018). This draws a clear distinction between the ECB's programme of QE and its policy on interest rates. Moreover, it should signal to markets that, while the EZ is firmly in recovery mode, the ECB believes we still have a long way to go before that recovery can be considered sustainable. So, interest rates will have to be lower for longer.

Saudi Aramco's IPO: Is oil at a crossroads?

Business leaders and government officials from all over the world flocked to Riyadh in their droves this week, for a conference dubbed "Davos in the desert" by media. Attendees hoped that the summit, hosted by the Public Investment Fund of Saudi Arabia, would give insight on the economic future of the world's biggest oil exporter.

They were not disappointed. The gleaming conference was all slick videos and ambitious business pitches, with crown prince Mohammed bin Salman addressing the conference hall on Tuesday with his vision for Saudi Arabia's future. His ideas are a far cry from the way the conservative kingdom has been traditionally run; he wants a "moderate Islam" among the population, while he plans to wean the country off of what he has before described as its "addiction" to oil.

On that modernisation front, the heir to the throne can't be faulted for lack of ambition. He unveiled plans for a $500 billion mega-city covering 10,000 square miles and spanning three countries, powered completely by renewable energy and run by robots. The Prince's message to those gathered in Riyadh was clear: Saudi Arabia is open for business.

For global investors, the grand opening has been looming since the government announced the initial public offering (IPO) of its largest company, the oil behemoth Saudi Aramco. Prince Salman first suggested that the kingdom could sell-off a portion of its prize asset back in January 2016, and since then there has been speculation that the company could be valued anywhere between $1-2tn (one report put it as low as $500bn). If the actual sale does see Aramco floated anywhere in that range, it will eclipse tech giants like Google and Apple to become the world's most valuable company – an epitaph it already holds in terms of total market capitalisation.

However, the road to public sale is unclear. Officials have said the IPO will happen next year, probably in the second half, a sentiment that the Prince reiterated this week. But, there is confusion about where it will take place. Both New York and London stock exchanges are vying to host what's being billed as the biggest IPO in history, but Khalid Al Hussan – the head of Saudi Arabia's own stock exchange Tadawul – said this week that the exchange is pushing for the exclusive listing of Aramco. Mr Al Hussan used an interview with the FT to tell the public that "We are doing what [it] takes to make sure Aramco is listed here only." There has even been talk of scrapping the IPO entirely, and instead selling off the planned 5% stake to strategic investors, mostly in China.

But Al Hussan believes an exclusive offering on Tadawul would be strategic for the government. Foreign investment plays a big role in Prince Salman's ambitious Vision 2030 project – which plans to diversify the Saudis' economy and develop non-oil industries. He hopes to make the kingdom into a leading global investment destination, and giving Tadawul exclusive listing of the biggest IPO in history could well be a stepping stone to achieving that.

After all, the sale of Aramco itself is by far the largest concrete component of Salman’s ambitious plans (tri-nation futuristic mega-cities notwithstanding), with the proceeds intended to fund the kingdom’s non-oil future. And yet, for the biggest IPO ever, the general appetite seems a little lacking. According to CNBC, the feeling among fund managers is that Aramco “comes up short for all three basic tests investors apply to potential IPO investments: growth, an attractive dividend and solid corporate governance.” They quoted Michael Preiss, a Singapore-based portfolio strategist, saying “"It's more of a sunset industry. The Saudis are realizing it's the end of the cycle."

Therein lies the deeper issue. The Saudis’ move away from oil dependence is only because they realize it is an unsustainable industry. The ‘era of oil’ is of course far from over, but the trend is towards less oil-reliance worldwide. And, with the world’s largest oil consumer China ramping up its efforts to de-pollute its air and create a more eco-friendly society, it’s quite clear that the Saudis are jumping before they are pushed.

What does this mean for oil in general? There’s a strange irony in the fact that the Saudis appear desperately scrambling to move away from oil-money in not-too-distant future while simultaneously scrambling to push prices up by constraining supply right now. Prince Salman backed the extension of OPEC production cuts beyond March 2018 this week, following Russian President Vladimir Putin’s backing weeks ago. “Everyone is benefitting,” said the Saudi heir "It’s the first time we have an OPEC and non-OPEC deal in stabilizing the oil market,"

Source: IG Index – Brent future

As the chart above shows, the supply cut agreement has been fairly successful in keeping oil prices steady around the $50 mark since they were agreed last November. More importantly, the supply cuts have now coincided with signs of recovering demand in developed nations, leading to upswing since the early summer lull. Recent sentiment seems to suggest that investors are fairly bullish about the commodity, citing the fact that the falls in oil investment are finally starting to have an effect.

We aren't so sure. The fact that production caps are needed tells us that global oil demand still isn't up to matching potential supply. Moreover, what the Aramco offering shows is that the big players don't believe in the immutability of 'black gold'. It's more likely to turn from pay dirt to plain dirt. The Saudis aren't just selling shares in Aramco to fund budget gaps, they're selling them because it no longer seems like a viable long-term way of funding the nation. China, whose demand for oil often dominates discussion of the commodity's future, is currently embarking on an extensive and very serious reform towards a proclaimed "ecological civilisation" (petrol vehicles are already restricted in some major cities).

In the short-term, this is unlikely to push prices down too much. The fundamentals remain fairly stable, with seemingly improving demand and an effective agreement among suppliers. But, if the Aramco IPO fails to generate enough capital now, the logic of maximising the value of the oil reserves may shift from holding up its price to slashing its price below the alternatives. Thus the Aramco IPO is more important than whether or not the LSE has a new oil producer on its list.

Investor psychology: overcoming biases in long-term investing

Next to buying a house, investing might be one of the most important financial decisions a person can make. After eight years of rising capital markets investors have once again become nervous about where markets may be heading over the next few months and years. How one deals with this 'wall of worry' might be more complex than first thought.

So, we thought it might be useful to delve into the psychology of investing and explain some of the pitfalls that lie along the way.

Behavioural finance and social scientists tell us that there are 188 different cognitive biases that subconsciously hamper our ability to make good decisions about our careers, our relationships, and for building wealth over time.

Those 188 different biases essentially boil down to five main categories that can specifically trip up investors.

These are:

- **Anchoring** – the first piece of information is an 'anchor' for anything that follows
- **Recency** – putting too much emphasis on the latest piece of information
- **Loss aversion** – the future reaction to past losses
- **Confirmation** – filtering out information that does not fit in with your view

- **Bandwagon** – Fear of missing out (FOMO) and being the last one in an opportunity can be detrimental

Anchoring Bias

If the first thing you hear about an investment is positive, or it is trading at a certain level, then this may become a reference point in the future. For example, you may see the valuation an asset had when you first encountered it as the 'norm', even where this is not necessarily the case.

To overcome this bias, it might be best to take heed of historical data, but do not hold onto previous conclusions.

Recency Bias

It is easy to place too much importance on a new product announcement from company A and buy or sell on this information. To overcome this bias it might be better to be more cautious by focusing on longer-term industry trends and experience to determine a more measured reaction.

Loss Aversion Bias

Fear or loss aversion can be a powerful motivator in decision making as no one wants to lose money. But small losses occur frequently, even for the best investors, particularly paper losses. People remember losses more easily than any gains.

Psychologists estimate that an investor may feel 2.5x more discomfort from the potential for losses than for gains, even if they are the same magnitude. This 'loss memory' could lead to inaction rather than necessary action.

To overcome this bias an investor must be prepared to accept they are likely to incur losses over shorter periods and potentially, even longer time frames. Having a long-term investment plan that can be adapted as conditions change can help provide a more comforting guide. An investor focused only on loss aversion may miss the opportunity for potential returns.

Confirmation Bias

It could be disastrous for investors to only seek out information that confirms your current viewpoint by ignoring anything that conflicts with that view.

If an investor believes a crash is coming, then information about high valuation multiples and 'overbought' stock markets will reinforce that belief.

To overcome this bias, it is worth taking a second look and coming up with valid arguments, both for and against a particular investment. This could lead to a better overall decision. Finally, be willing to change a viewpoint overtime as a sober analysis of facts dictates.

Bandwagon Bias

Watching an investment rise rapidly from the outside can give rise to feelings of missing out, but being the last to jump on board could be a poor decision.

To overcome this bias, avoid investing simply because others are doing so. A view does not become true just because a majority agrees with it, so only invest if there is a valid and researched reason for doing so.

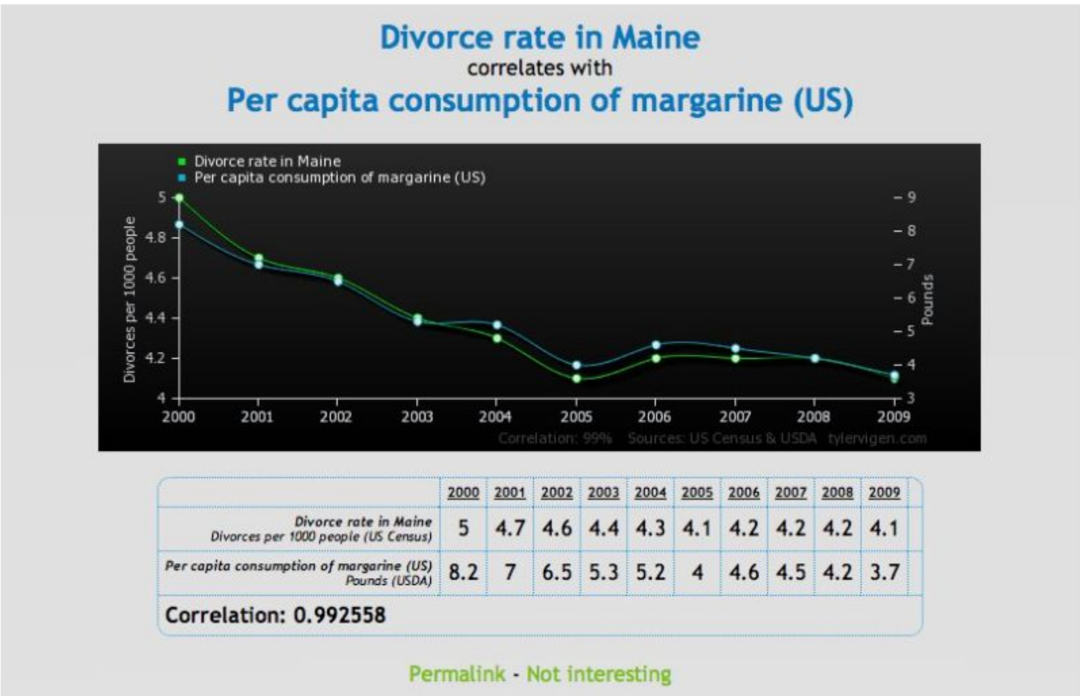
Climbing the wall of worry

After nearly a decade of rising markets, investors are once again beginning to build a 'wall of worry'. But, more often than not, markets generally tend to climb that wall. At any one time, there can be much to point to negatively, with dozens of crises worldwide (political, economic, military, etc.) and speculate about the worst case scenario for markets.

The current wall of worry includes some of the following issues:

- High corporate profit margins will mean revert (return to average)
- Stocks are overvalued on this or that metric
- It has been x number of days since the last correction
- 2017 reminds us of the terrible year of…
- Ending of QE
- Fears about Chinese, European, US and Emerging Market growth.

For profit margins, we hear year-after-year that they are 'too high' and will have to mean revert. What is often overlooked is the fact that companies got lean during the slow revenue growth period of the financial crisis. New technologies have also been a big boon for margins, as firms require fewer workers and are more efficient. Another potential positive catalyst for profit margins could come from US tax cuts, where every 1% cut in the corporate tax rate boosts S&P500 profits by $1 a share.



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In terms of valuation metrics, we often see metrics like Shiller CAPE (Cyclically Adjusted Price to earnings) rolled out to suggest markets are expensive, Tobin's Q (replacement values), 'what would Buffet do' and other long-term trends. How reliable is 10-year earnings, adjusted for inflation and divided by a divisor in the case of CAPE for determining investments?

Another common fear is that 2017 is just like some other bad year. One must remember that statistically significant correlations can arise out of pure coincidence and are not suggestive of causation, as the chart above suggests.

The ending of QE is next on the list of worry. The support QE has given asset prices is being withdrawn, therefore markets should fall as a result right? While there may be some effects both known and unknown, as QE is removed, it is worth pointing out that (as discussed in our first piece), it is only being done as the underlying economy is actually improving at a healthy rate. And, improvements in the underlying economy, should underpin future earnings growth.

The topic of overseas markets and the ability of politicians to deal with crises often arises as a catalyst for market falls. We should remember that those in government are continually working to prevent further economic distress, using whatever means available. Simply betting that a government mistakenly causes economic problems (China anyone?) could be a losing position. The seemingly small compromises that may appear to "kick the can down the road" may end up being part of a series of policies that form the basis of future progress. All officials have a vested interest in securing strong economic growth – and nobody would want to be responsible for a collapse.

Summary

At Tatton, we would encourage investors to keep a cool head, be aware of the cognitive biases that effect decision making and try to focus on the fundamentals. As we have seen above, fear is an easy sell, but fear can cause inaction when action is required or vice versa. In reality, the biggest 'losses' for an individual investor may arise from being out of an upward trending market.

The negative impacts of cognitive bias can materialise in unexpected ways, from causing unneeded changes to an investment plan, buying or selling at the wrong time, hanging onto sentimental or losing trades, being overly reliant on media or the 'wisdom of the crowds' and missing an opportunity due to an anchored view.

Having these biases in mind may help give investors an added level of comfort. It is worth remembering that investing should be considered a long-term activity that is different from short-term trading, which is more a binary bet on a direction, either up or down.

Investing is a long-term activity, so utilise patience and assess all of these issues, particularly ingrained biases and act accordingly.

PERSONAL FINANCE COMPASS

Global Equity Markets

MARKET	CLOSE	% 1 WEEK	1 W	TECHNICAL
FTSE 100	7509.5	-0.2	-13.7	↗
FTSE 250	20153.7	0.0	6.8	↗
FTSE AS	4122.3	-0.1	-5.6	↗
FTSE Small	5828.4	0.1	4.7	↗
CAC	5499.5	2.4	127.2	↗
DAX	13220.0	1.8	228.7	↗
Dow	23427.0	0.4	98.4	↗
S&P 500	2575.6	0.0	0.4	↗
Nasdaq	6187.7	1.3	78.8	↗
Nikkei	22008.5	2.6	550.8	↗

Currencies

PRICE	LAST	%1W
USD/GBP	1.31	-0.59
USD/EUR	1.16	-1.75
JPY/USD	113.84	-0.28
GBP/EUR	0.88	1.15
JPY/GBP	6.65	-0.45

Commodities

CMDTY	LAST	%1W
OIL	60.2	4.2
GOLD	1271.2	-0.7
SILVER	16.7	-1.6
COPPER	309.1	-2.4
ALUMIN	2190.0	1.7

Fixed Income

GOVT BOND	%YIELD	% 1W	1 W
UK 10-Yr	1.4	1.7	0.02
US 10-Yr	2.4	1.5	0.04
French 10-Yr	0.8	-8.2	-0.07
German 10-Yr	0.4	-14.8	-0.07
Japanese 10-Yr	0.1	-2.7	0.00

Top 5 Gainers

COMPANY	%
GKN	5.7
MICRO FOCUS INTERN	4.6
ROLLS-ROYCE H	4.0
BRITISH AMERICAN TO	3.8
CRODA	3.7

Top 5 Losers

COMPANY	%
GLAXOSMITHKLINE	-10.2
MEDICLINIC INTERNA	-7.7
WHITBREAD	-6.7
HIKMA PHARMACE	-6.3
ITV	-6.2

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	24.3	Brazil	177.2
US	24.8	Russia	128.5
France	20.6	China	48.9
Germany	11.6	South Korea	71.7
Japan	33.8	South Africa	188.8

For any questions, as always, please ask!

If anybody wants to be added or removed from the distribution list, just send me an email.

Please note: Data used within the Personal Finance Compass is sourced from Bloomberg and is only valid for the publication date of this document.

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

Lothar Mentel