Weekly Market Comment

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Breathing easier for the moment

This week has been quite quiet in the UK. Of note, wages look set to rise more than 3% this year, stronger than 2.6% rise for last year. Subsequently, the Bank of England will probably deliver a rate rise at their March meeting. But we'll look at the UK in more depth next week.

This week, we take the opportunity to look elsewhere. Today is the start of the new Chinese year. Last year (the year of the Chicken in the 12-year cycle) proved to be pretty good for equity investors. What might this year of the Dog do for equity holders?

For a bit of fun, I've looked at the price performance of the Dow Jones Industrial Average since 1930 to see how the years play out. Here's the table:

Year		Animal Sign	Return	Difference vs. average	Up years	Down years
2013	1	Snake	-1.0%	-8.2%	4	3
2014	2	Horse	3.6%	-3.6%	5	3
2015	3	Sheep	0.7%	-6.5%	6	2
2016	4	Monkey	4.9%	-2.3%	6	2
2017	5	Chicken	14.2%	6.9%	5	3
2018	6	Dog	10.0%	2.8%	4	3
2019	7	Pig	15.0%	7.7%	5	2
2020	8	Rat	6.4%	-0.9%	6	1
2021	9	Ox	5.8%	-1.4%	5	2
2022	10	Tiger	13.2%	6.0%	5	2
2023	11	Rabbit	11.5%	4.2%	6	1
2024	12	Dragon	3.4%	-3.8%	4	3
		Average	7.3%	0.0%		

Source: Wikipedia

Chicken years have done pretty well, beating the average return by almost 7%. Dog years seem to be slightly less beneficial. In overall performance terms, they still beat the average by the small amount of 2.8% but, so far, four out of the seven years have been less than the average.

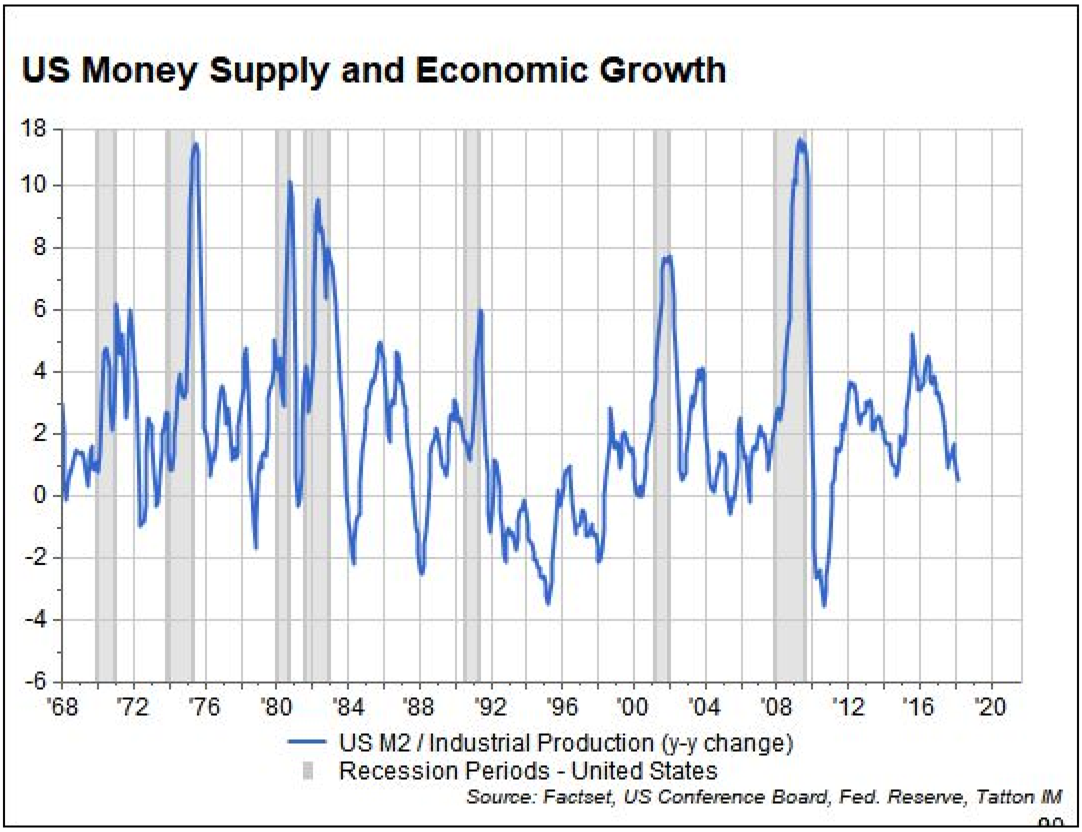
At least we're not in the year of the Snake or the Sheep, which both have a history of delivering returns well below the average.

While the exercise is not meant to be taken seriously, it's interesting that the outlook accords somewhat with our view of how this year might pan out. We expect that the returns of last year will be difficult to repeat.

The global growth in earnings ended 2017 at very strong levels, at the same time as interest rates spent much of the time at historically low levels. Helped by the US tax cuts, analyst expectations of earnings growth were sharply revised higher this January.

The volatility at the start of this month was a reminder that growth is the lifeblood of investment, but it doesn't necessarily benefit all investments. If you've paid up for pretty certain future cashflows, those investments won't do so well when new opportunities come along which offer better ones.

Here’s the rub. In the “early” stages of a cycle, there tends to be a lot of investor liquidity (aided by loose monetary policy) but few new investment opportunities. As the cycle moves towards its later stages, the business world finds its animal spirits rekindled; entrepreneurs start to offer us new things, soaking up that liquidity through IPOs and bond issues. January saw a lot of business demand for capital, especially for bonds. A bout of indigestion in the new-issue bond market may have been a significant factor in the rise in bond yields.

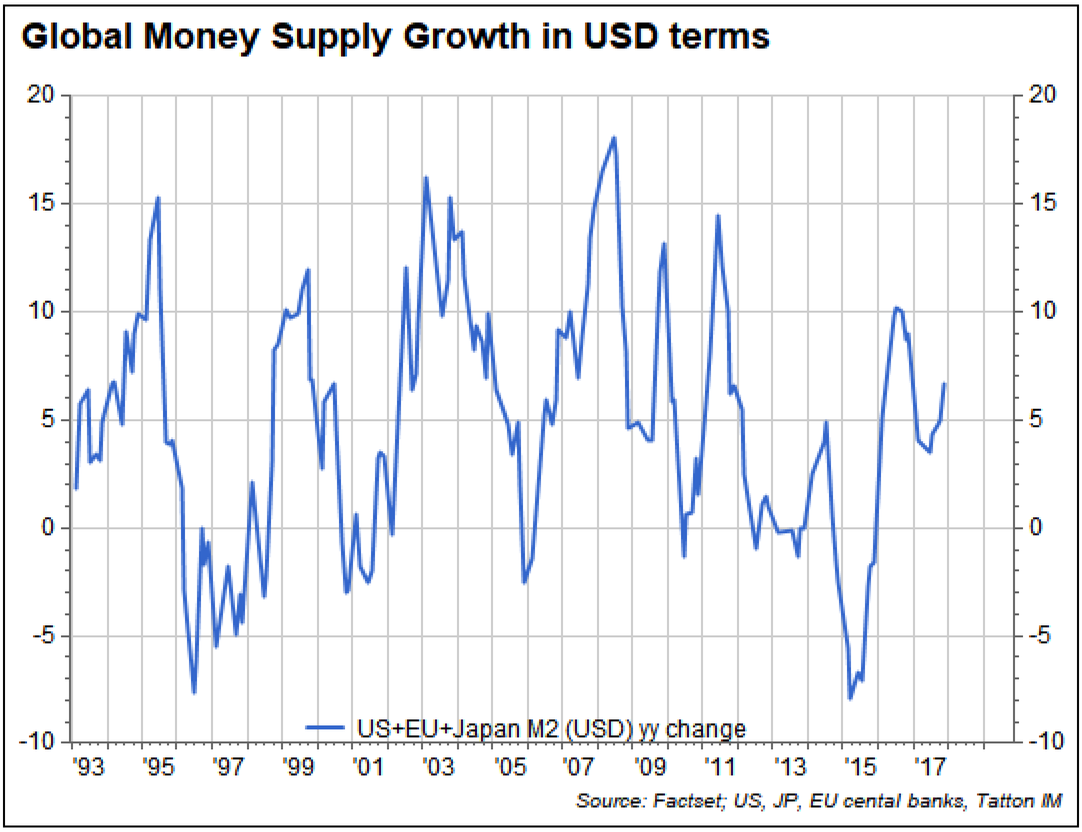


That brings us to monetary policy. As the chart above shows, the US central bank has been engineering a relative tightening since early 2016. Money supply growth is now only just keeping pace with economic growth, as measured by industrial production. In fact, the chart above doesn’t show the more recent data (which is released weekly by the Fed). Since the beginning of January, M2 growth shows quite a marked slowing. Thus, it’s likely that the Fed has already moved into a tightening phase.

This week’s US inflation data also suggests that the Fed will continue to raise rates. Here’s Goldman Sachs on the subject:

“The January core CPI price index increased by more than expected, with the nearly four-tenths pace the fastest in twelve years. The year-over-year rate remained stable at 1.8%. Over half of the Core CPI acceleration originated in volatile categories such as apparel and household furnishings, but we would not expect a reversal in these price indices next month. As important, the more persistent shelter and medical care categories were also firm. As a result, we now expect Core PCE inflation to end the year at 1.9% (vs. 1.8% previously)…. We left our Fed probabilities unchanged, with subjective odds of a March hike at 95%.”

The Euro, Yen, and Renminbi also show slowing in M2 growth since the beginning of 2017, becoming more marked in Q4. China moved rates higher; while Europe and Japan have ceased extreme easing – tantamount to a tightening policy. And yet it still seems as if money is abundant. We suspect that this is because it has been, in US dollar terms.



When converted into US dollar equivalents, the growth path is much stronger. In other words, the weaker dollar is probably providing a monetary boost to the world, and especially to the US.

Currency markets are always the most complex of all markets in the short-term. Knowing what causes moves is virtually impossible (beware the simple rationalizations one can read in the papers!). Still, the medium-to-long-term reasons are usually to do with relative growth levels. We've said for some time that Europe and Japan have solid bases for growth, the Euro and Yen were cheap on a "purchasing-power-parity" basis and that this should lead to stronger currencies. So it has come to pass.

While we remain positive about Europe and Japan in the medium term, market sentiment has moved towards extended US dollar bearishness. We think the Euro parity level is (probably) about $1.30, which means that is no longer very cheap. There are also some signs that near-term economic strength in Japan and Europe is dissipating somewhat. For example, Japanese machinery orders for December were down 11.9% relative to November. Both areas have quite high sensitivity to exports, which are being impacted by the currency strength.

During the last week, it's been notable that the rally in equity markets has been accompanied by a weak dollar, while the previous week was the reverse. The fall in the dollar during January was quite exceptional and we think it may be due a bounce back, especially if European economic data shows disappointment. The preliminary purchasing manager reports are out next week and will be closely watched.

It may be that any US dollar strength will be “bond-positive”; it might help to relieve some of the inflationary concerns caused by currency weakness. That 10-year treasury yields remained below 2.9% despite the worrying CPI data probably helped US and therefore global equity markets.

As the next article points out, corporate share buy-backs are resuming and that too may provide support. However, we think the signs are that a bout of dollar strength would undermine US equities, as it would increase the perception of tightening monetary conditions.

This week’s bounce-back in equities may be a continuation of recent volatility rather than an end to it. It doesn’t mean the year of the Dog will be a bad one, but it will do well to beat the Chicken.

Trump’s long-awaited budget plan fails to inspire

Over a year since Donald Trump was sworn into the White House, one of his main campaign pledges is finally taking shape. On Monday, the US President proposed a long-awaited infrastructure spending plan through which the administration hopes to galvanise $1.5tn in funding over the next 10 years. However, despite the headline figure, only $200bn would come from the federal government, while the rest will have to be put up by state and local governments or the private sector.

When Trump won the Presidency back in November 2016, expectations of his fiscal plans – on infrastructure and taxes – were fuel for a sustained rally in equity markets, dubbed the ‘Trump trade’ at the time. But, like much of the actual policy produced since then, this latest budget plan looks largely underwhelming at best. Expecting $1.5tn in total capital investment while only putting up $200bn is quite an optimistic multiplier to say the least. And most of the remaining money is to be provided by state governments.

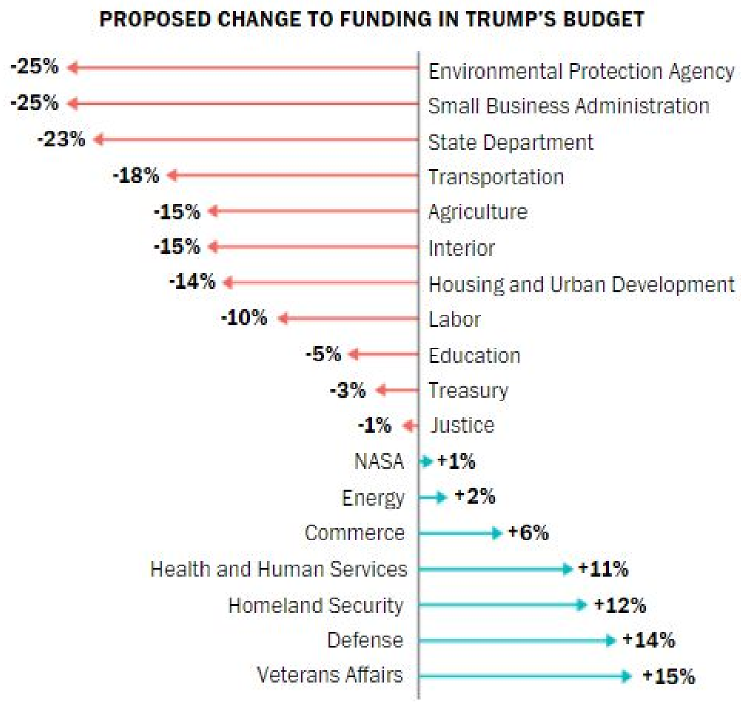
However, the federal government is arguably in a far better position to provide long-term funding for infrastructure than individual states, whose often-stringent budgetary rules make large capital expenditures extremely difficult. States’ ‘balanced budget’ rules result in them taking a pay-as-you-go approach to funding infrastructure projects, which in turn usually means that government investment becomes pro-cyclical – accelerating during economic upswings and halting during downturns. That’s precisely the opposite of what you typically want from fiscal policy, exacerbating the boom and bust nature of the business cycle. By contrast, the federal government has immense borrowing power and the ability to tolerate high budget deficits. They’re also in a far better position to take a holistic view of what effects targeted infrastructure spending will have on the wider economy. In short, they have the fiscal firepower and know where to best use it.

What’s more, due to the budgetary restraints mentioned, deferring spending to the state and local level sees a far higher reliance on private sector capital. Clearly, Trump’s administration doesn’t see this as a downside – indeed, private sector spending has a big role in his $1.5tn plan. But, as has recently been made abundantly clear to us in the UK, the public-private partnership (PPP) model has some quite severe issues (see our previous articles on Carillion and Capita). PPPs almost always end up costing governments more in the long run, and there’s scant evidence that the price tag brings any more efficiency with it.

Putting those issues aside, it’s highly unlikely that the budget in its current form will become law. The budget bill needs to be passed by congress before the plans can be put into motion, and lawmakers on both sides of the party divide will most likely take major issue with it. In order to create the funding for the plan, huge budget cuts to various different government departments have been proposed. As the chart below shows, 25% of the Environmental Protection Agency's 2018 funding will be cut next year, while the State Department will see a 23% cut. Particular standouts are the cuts Trump plans to make to various social spending programs, including poverty aid, health insurance and federal housing initiatives. The Supplemental Nutrition Assistance Program – more commonly known as 'food stamps' – will see a massive $17.9bn cut to its funding next year, while Trump's proposals call for a cut of nearly 30% over the next 10 years.

Yet, despite these heavy cuts to certain public services, the administration's budget will still end up pushing the spending deficit up above 5% of GDP by next year, with US public debt set to increase to its highest level since WWII. The debate between balancing budgets and providing public services is a well-known one, with 'Tea Party' Republicans regularly lambasting previous President Barack Obama over his fiscal spending plans (and not to mention the austerity debate here in the UK). But somehow, Trump has managed a compromise that keeps everyone unhappy – cutting vast amounts of funding from social spending while simultaneously increasing the budget deficit greatly.

This 'worst of both worlds' scenario is largely due to the $1.5tn in tax cuts announced at the end of last year, which has left a sizeable hole in the government's balance sheet. Some of that tax cut (for corporates at least) has fed through into higher wages, but it's unlikely that the wage increase will be enough to offset the dampening of demand that will come from cuts to social spending.



Source: The Washington Post

What's more, it's questionable whether running a budget deficit is appropriate at where we are in the business cycle – with US unemployment down around the 4% mark and the Federal Reserve already on the path of monetary tightening. To be clear, high levels of government debt – and even high budget deficits – are not a bad thing per se. When growth and consumer confidence is low, the private sector tends to be a net saver, meaning that the government can borrow at low interest rates and use the money to stimulate greater demand and consumer confidence. This is what many governments (including the US) tried to do in the wake of the financial crisis and ensuing recession, arguably preventing it turning into a depression.

However, now the situation is vastly different. We are 10 years into the business cycle and growth is strong, interest rates are rising, unemployment is historically low and consumer savings have been run down to extremely low levels. The Fed has already pencilled in three rate hikes this year, and if Trump's fiscal plans bring increased inflationary pressures (as they're expected to) that number may well have to increase. This will increase government borrowing costs that have already shot up lately, and, worse, could leave them with little fiscal headroom when growth eventually subsides.

As some in the media have noted, it's particularly ironic that the 'Tea Party' element within the Republican Party now seem to have abandoned their calls for fiscal restraint. Throughout Obama's presidency, they repeatedly attempted to thwart his budgets on the grounds that they were 'fiscally irresponsible' – which arguably led to the extremely slow recovery from the crisis. But now, they seem happy to run up a budget deficit when it could well do the most damage.

It depends what actually sticks from Trump's budget, but this outline doesn't paint the brightest picture for the US' near future. The budget is unlikely to bring an immediate slowdown – particularly as growth still has strong momentum – but it could well cause some unwanted effects, such as more inflation pressures and (therefore) a more hawkish Fed.

From an investment point of view, we can't know yet whether the plan is good or bad. For the US, the long-term issue centres around investment and productivity. Will this plan generate investment that wouldn't have come otherwise? The New Deal certainly did so, those investments only being possible by the government. This plan certainly has no such ambition, despite the warm words. Still, we should note that Trump continues to deliver on his promises after a fashion. Political credibility is no bad thing for markets.

Zuma's story draws to a close

At long last, Jacob Zuma is gone. The former South African president resigned on Wednesday, pre-empting a vote of no confidence from his party that would likely have removed him anyway. In his place steps the deputy Cyril Ramaphosa, who won the leadership of the ruling ANC party back in December, and was swiftly elected to succeed Zuma on Thursday.

The writing has been on the wall for the erstwhile President for some time. His tenure in charge of South Africa was wrought with scandal and controversy since its earliest days. Zuma faced criminal charges before he even came to power – charges that were originally dropped shortly before he became president but have since been reinstated – and in office he has been accused of various instances of corruption and misappropriation of public funds. Many have speculated that his resignation might have been the result of a deal to avoid any corruption charges.

In recent years, he has become the poster boy for all the reasons why investors eschew South Africa – widespread corruption, failing economic policy and political instability. His decision to sack two highly respected finance ministers sent the Rand (SA's currency) plummeting, while the erratic nature of his government has been a big dampener on business and investment activity in the country. Back in April, Standard & Poor's downgraded South Africa's government debt to junk status, citing the political situation as the cause.

Accordingly, markets took the news of his departure well. The rand gained against various currencies slightly (and is sitting at near three-year highs against the dollar) and bond yields fell, while the real boost came to equities, as stocks saw their biggest one-day gain in over two years at 3.6%. Emerging market investors seem largely upbeat about South Africa if the political situation can be cleared up. Part of this is down to Ramaphosa being regarded as more business-friendly than his predecessor, though, after nearly 10 years of corruption and political soap opera, merely the sense of government stability will go a long way.

After a long and drawn out battle to remove Zuma, the new President's first priority will be to present a unified front going forwards. Whether this will involve giving a cabinet position to the former President's ex-wife Nkosazana Dlamini Zuma – who lost the ANC leadership race to Ramaphosa back in December – remains to be seen, but some peace-making with pro-Zuma factions should be expected.

Both Ramaphosa and his party will be under some pressure to hit the ground running. South Africa is due an election next year, the outcome of which looks uncertain. The ANC has held power ever since the fall of Apartheid in 1994, but Zuma's reign – and the failure of successive governments to improve the lives of poor South Africans – has led to great disillusionment with the party, who could very well fail to win next year if their standing doesn't improve. It speaks volumes about the party's failure that, 24 years after the end of White rule, South Africa is still the most unequal society in the world, according to the World Bank.

As bad as things have become under continued ANC rule, some of the alternatives look worse. The Economic Freedom Fighters and their controversial leader Julius Malema have been courting the populist vote for years now, and are likely to gain vote share at the election next year. In the past, Malema has been criticised for singing "shoot the Boer".

It's interesting that the fall of one long-standing African leader has happened soon after the fall of another. Back in November, Robert Mugabe's resignation provoked jubilation and similar capital market relief across the border in Zimbabwe. We wrote then how the ANC seemed dumbstruck in their reaction – taking a full 24 hours to issue a response – and how Zuma would do well to learn from it. He may not have done, but perhaps the party did – voting back in December to appoint Ramaphosa as the successor and now forcing Zuma's resignation.

In that article, we also noted the involvement of China, historically strong backers of Mugabe and huge investors in Africa. For Mugabe, China's apparent indifference (a change of policy from them) was probably quite influential in the timing of his exit. The Chinese influence in South Africa probably isn't as large as in Zimbabwe – despite the former being the second largest receiver of Chinese investment in Africa behind Nigeria – but once again Beijing didn't appear particularly phased by the news of a previous business partner bowing out. Zuma's dismissal isn't expected to have any effect on the upcoming summit of the BRICS (Brazil, Russia, India, China, South Africa) to be hosted in Johannesburg in July.

The BRICS partnership have become vitally important to South Africa, who currently hold the rotating leadership and are expected to use their summit to push forward the programs of development and international cooperation. Much like the upcoming election, continuing good relationships with the other BRICS – and China in particular – is essential for the new South African President.

Perhaps the story for us as investors is that risks are not the same as outcomes. South Africa finds itself transitioning peacefully towards a new and hopefully better leadership. Of course, the inequality which breeds instability is not going away quickly, and it would be wrong to think that the new administration marks a total break from the ANC's murky recent past. However, a year ago, our South African friends were pessimistic. Some thought that the final resolution would be violent.

It's a human trait to over-estimate risks and their consequences, especially when we close to them. The known "unknowns" are the ones we insure against and we tend to pay up to do so. That's what makes risk premia worth having, as long as you have a properly diversified basket and you're prepared to be long-term.

Share buybacks and stock market volumes

What caused last Monday's volatility surge? We believe it has something to do with the sudden plunge in daily trading volumes in February, and corporate share buyback programmes going dark in January.

All these events are related and, as such, equity prices may continue to stabilise in the coming weeks as the corporate buyback blackout period ends.

But first some background

If market performance over the past few years is any guide, then 'buying the dip' as a trading strategy may be a profitable one. Call it FOMO (– 'fear of missing out') or just rising optimism, but investors appeared happy to continue buying equities and chasing investment returns in what seemed like a never-ending 'goldilocks' environment.

That benign environment appeared to change with last Monday's 'vol-mageddon', when buyers decided against dip buying, causing trading volumes (liquidity) to suddenly evaporate amid the biggest one day jump in volatility ever recorded. As we noted last week, the amount of S&P500 futures contracts traded slumped to just 75 contracts versus an average daily volume of 500-1,000 contracts near the close of trading.

The lack of liquidity in February stands in stark contrast to volumes seen during January. Historically, January is a fairly strong month for inflows as pension funds and institutional investors deploy money or alter positions for the New Year. This January saw a record $102.6 billion of inflows into equity funds, according to EPFR. This is well above the previous record of $77 billion in January 2013.

The flood of money led to the best January for stock market return since 1987, but inevitably tipped technical indicators into 'overbought' territory. As a result, the pace of inflows slowed in February, a month in which flows tend to be softer, as an analysis of the past 50 years shows.

So far, trading volumes this month have been much weaker as the demand deluge in January has left a bigger 'air pocket' than usual. Concerns about rising inflation and a faster pace of interest rates have added further pressure for stocks.

The biggest marginal buyer of equities was silent during January

A decline in liquidity or trading volumes coincided with a drop-off in activity from the single biggest buyer of equities since the Global Financial Crisis (GFC) – corporates themselves: conjuring up an image of the legendary Ouroboros or dragon eating its own tail.

Corporates have spent $3.8 trillion since the GFC on share repurchases as if on auto-pilot. Low sales growth has provided little incentive to invest and expand capacity (Capex), so they instead opted to return cash to shareholders.

Companies are restricted from buying back their shares during 'blackout periods' that revolve around the reporting of quarterly results (up to five weeks before reporting). We note that the dollar terms, the amount of corporate buybacks has actually decreased in recent years – itself a contributing factor to reduced liquidity. Data from Biriny Associates showed that completed buybacks to the year ending September 2017 were just $555.4 billion, close to the lowest level since 2013.

Are buybacks expected to jump a result of Trump's tax cut?

Trump's tax cut was a nice early Christmas present for companies and potentially equity investors, if history is to be believed. Analysis from Bloomberg suggests that investors may see a greater than 70% surge in repurchases to an annualised rate of $875 billion, as firms move back some of the $2.5 trillion of cash currently held overseas.

An increase of this magnitude, with announcements from firms mostly expected to arrive in H1-18, might dramatically increase the appeal of equities relative to other asset classes.

Are buybacks worth the money?

Investors normally welcome any increases in shareholder return, but how that value rises might be more important. The decision to invest or give back has not historically led to differences in share price performances until recently.

A performance gap now exists between firms that spend on Capex/R&D versus those that simply buy shares back. That gap has been widening since early 2017, perhaps bringing into question the effectiveness of buybacks. Capex can result in direct benefits for firms, including increases in productivity, new products or capacity with the potential to boost top line growth and ultimately benefit the wider economy.

On the other hand, buybacks may be an admission that bosses do not see sufficient growth opportunities to invest, instead opted to return cash to shareholders. In most respects buybacks are similar to the payment of dividends but have greater tax efficiency (CGT allowances are higher than those for income tax on dividends). Such distributions tend to be re-invested by investors back into the stock market rather than being spent, which reduces their beneficial effects on the larger economy.

Why return cash?

Firms generally return excess cash in order to increase the capital efficiency of their balance sheets and improve investor or financial ratios. For example, Asset Turnover measures how efficiently management are at using a firm's total assets to generate sales or revenue. It is calculated by dividing net sales by average total assets and tells us the amount of revenue generated for every dollar or pound a company controls.

Low asset turnover ratios suggest management inefficiencies in the use of assets, so by reducing cash (total assets) the turnover ratio might be improved.

Buybacks or dividends?

The way in which cash is returned is also important and boils down to a choice between buybacks or dividends. Dividends are paid out by a company from its after tax profits and may have greater appeal for investors, particularly retires who are looking for regular cash flows as a source of income. Higher dividends can attract income-seeking investors, thereby pushing up the share price.

But from a tax perspective, they may offer less efficiency for such investors. The dividend allowance is £5,000 in the current tax year, and will fall to just £2,000 next tax year. Dividend income above this level will be taxed at an individual's marginal tax rate.

Buybacks might therefore be a more tax-efficient way to return capital to shareholders and provide additional benefits for the firm. For UK investors, selling financial assets incurs Capital Gains Tax, but allowances for the current tax year are £11,300, which is higher than that offered by dividends. Therefore an 'income investor' might be better off by treating capital gains as income, thereby attracting the lower CGT tax rate of 28% versus the highest dividend taxation rate of 38.1% for ART (Additional Rate) tax payers.

For companies, buybacks – as the name suggests – reduces the total amount of shares outstanding in the market thereby improving financial ratios like Return on Equity (RoE). Buyback prices are generally offered at a premium to current market price, suggesting management believe today's price does not reflect future performance, as noted above. By reducing the number of shares buybacks can also increase Earnings Per Share (since it's simply net profits divided by number of shares outstanding).

A higher EPS makes the stock ‘cheaper’ by lowering the Price to Earnings ratio (PE). A lower PE and higher RoE might be viewed positively by the market and push up the share price further. One final benefit, as we have already highlighted – is that buybacks can provide additional liquidity when trading volumes are thin – just as in last week’s market flash crash.

Solid Q4 results - where do valuations go next?

The strong growth in both earnings and sales from Q4 now pose a quandary for companies and investors in light of increasing inflation, higher interest rates and their impact on valuation multiples. This brings us back, like Ouroboros eating its own tail, to the stabilising effect that share buybacks are having on markets. Companies buying back their own share were the only major buyers last week, as the blackout period nears its end.

It might not be surprising that the vol-driven crash resulted in a jump in equity trading volumes. Total trading volume for last week was 54.4 billion shares, which is the highest level since 12 Aug 2011. Goldman Sach’s corporate buyback desk noted that client activity was 4.5x average daily volume.

Corporate buybacks are generally less sensitive to external factors, instead focusing on mechanically purchasing the dollar amount authorised. The expected increase in buyback activity suggests that companies see their shares as being undervalued given the economic backdrop and firm performance. Last week’s crash sent the forward PE for the S&P500 index to 17x, the lowest level since early 2016.

The end result is that corporate buybacks can help, but not completely offset a bigger number of forced sellers. At best, buybacks might provide some stability when such programmes are active, but may become more problematic during blackout periods. The sudden disappearance of such a large marginal buyer at key times of the year could end up magnifying rather than reducing market volatility.

PERSONAL FINANCE COMPASS

Global Equity Markets

MARKET	CLOSE	% 1 WEEK	1 W	TECHNICAL
FTSE 100	7295.5	2.9	203.1	↗
FTSE 250	19726.6	2.6	509.1	↗
FTSE AS	4011.9	2.8	109.0	↗
FTSE Small	5743.8	1.9	109.7	↗
CAC	5280.4	4.0	201.1	↗
DAX	12446.7	2.8	339.2	↗
Dow	25350.6	4.8	1159.7	↗
S&P 500	2737.5	4.5	117.9	↗
Nasdaq	6827.3	6.5	414.6	↗
Nikkei	21720.3	-0.8	-170.6	↗

Global Equity Market - Valuations

MARKET	DIV YLD %	LTM PE	NTM PE	10Y AVG
FTSE 100	4.0	20.0x	13.6x	17.1x
FTSE 250	2.8	17.5x	13.9x	17.0x
FTSE AS	3.8	18.9x	13.6x	16.7x
FTSE Small	3.1	10.5x	-	-
CAC	3.0	16.2x	14.2x	15.6x
DAX	2.6	16.3x	12.7x	15.7x
Dow	1.9	22.9x	16.8x	15.3x
S&P 500	1.8	23.1x	17.2x	17.6x
Nasdaq	1.0	27.6x	20.7x	20.3x
Nikkei	-	-	-	-

Top 5 Gainers / Top 5 Losers

COMPANY	%	COMPANY	%
WPP	14.8	STANDARD LIFE ABER	-5.5
FRESNILLO	13.0	SEVERN TRENT	-4.4
COCA-COLA HBC AG-DI	11.0	UNITED UTILITIES	-3.7
JUST EAT	10.4	TUI AG-DI	-2.1
NMC HEALTH	10.4	BT GROUP	-1.0

Currencies / Commodities

PRICE	LAST	%1W	CMDTY	LAST	%1W
USD/GBP	1.41	1.74	OIL	64.7	3.0
USD/EUR	1.25	1.67	GOLD	1356.1	3.0
JPY/USD	106.06	2.58	SILVER	16.8	2.8
GBP/EUR	0.89	0.11	COPPER	328.2	7.5
CNY/USD	6.34	-1.00	ALUMIN	2165.0	-0.2

Fixed Income

GOVT BOND	%YIELD	% 1W	1 W YIELD
UK 10-Yr	1.582	0.8	0.01
US 10-Yr	2.862	0.4	0.01
French 10-Yr	0.958	-2.7	-0.03
German 10-Yr	0.710	-4.7	-0.04
Japanese 10-Yr	0.059	-10.6	-0.01

UK Mortgage Rates

MORTGAGE BENCHMARK RATES	RATE %
Base Rate Tracker	2.3
2-yr Fixed Rate	1.5
3-yr Fixed Rate	1.7
5-yr Fixed Rate	2.0
Weighted Average Interest Rate (BoE)	1.5
Nationwide Base Rate	2.50
Halifax Standard Variable	3.99

* LTM = last 12 months' (trailing) earnings; **NTM = Next 12 months' estimated (forward) earnings

For any questions, as always, please ask!

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

Lothar Mentel