



## Weekly Market Comment

12 May 2017

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### Political volatility vs. market calm

The sigh of relief could be felt across all media channels last Sunday evening, when it became clear that the polls had been correct and France had chosen the moderate Emmanuel Macron over ultra-right, nationalist Marine Le Pen. However, short term investors who had bet their money on this outcome were disappointed as markets appeared to have had fully anticipated Macron's victory and provided no further upside, not even the €-Euro.

The political calm only lasted until Wednesday when president Trump made his first major political mistake by suddenly firing the head of the FBI, James Comey. There were plenty of legitimate reasons to do so back in January, when he was inaugurated, if we think back to Comey's dubious decision making in the Hillary Clinton email affair just before the election. However, now that the FBI is investigating Russian ties with Trump's campaign, his decision to suddenly push him out was bound to rouse suspicions that this is attempted intimidation of FBI investigators. Given not even Nixon dared to sack the head of the FBI there was a widespread view that he had gone a step too far with his unorthodox methods of progressing his political aims.

US stock markets disliked the prospect of a presidential 'wobble' and fell on opening on Thursday morning. However, given – over the week – they continued to trade sideways, as they have done since late March, this tells us that politics appear to currently matter less and actual economic momentum more. On that side, the ongoing quarterly round of corporate results announcements is surprising with the best figures in 5 years. Most of the improvement has admittedly come from just the energy and financials sectors, but they matter and have been the ones that have suppressed corporate earnings averages for the past years.

Fluctuating oil prices were therefore much discussed, as was the falling demand for commodities by China. Regarding the latter, it isn't quite clear whether this is already the consequence of

declining Chinese construction activity or simply falling speculative demand because of the government crackdown of unregulated wealth management products of which many were linked to commodity price movements.

As reported before, those who follow the global economy closely expect a moderation of the ever-improving economic news flow we had for the past 12 months. For the UK this was confirmed by the Bank of England's latest inflation report with additional economic reports from the ONS. Governor Carney gave a modest growth projection for the UK, but also stated that longer term forecasts were highly dependent on a soft, rather than hard Brexit.

Against this backdrop many investment strategists are highly suspicious that the markets' main risk barometer – the volatility index VIX is at one of its lowest historical readings. Are capital markets ignorant about the potential disappointments ahead? Well, not necessarily. First and foremost, the VIX reflects the status quo of expectation of variations of future corporate earnings. Given the steady, if unexciting economic growth that has just generated a round of solid corporate results, there does not seem much uncertainty about the next quarter. Yes, equity valuations are relatively high, but with business confidence improving and corporate profit growth following valuations higher, only a return of economic decline or a financial shock would be able to upset stock markets persistently.

Short term corrections are always a possibility – particularly for those who believe in the old market adage of 'Sell in May, go away and come back on St Leger's day' (mid-September). However, in the absence of strong stress indicators like rising junk bond yields, we would most probably regard this as an opportunity to increase our equity allocations in portfolios.

As to 'Sell in May and go away...' – you certainly would have missed much of last year's return potential had you followed it!

### Macron's victory shifts Euro-bears' focus on to Italy

The spectre of politics has loomed over financial markets for some time now. In 2017, all eyes have been on Europe, with elections in key countries keeping markets on edge. On this front, Emmanuel Macron's victory in the French presidential election has calmed some of the nerves, given his defeated opponent Marine Le Pen's is an anti-immigrant populist who advocated a closed-border policy and France's exit from the EU. After Brexit and Trump, she was undoubtedly the biggest political risk to the economy, and her election would have likely rocked the EU more than Brexit ever could. Has 'peak populism' passed?

When trading opened on Monday, however, the election news inspired little excitement in European equities. The Euro Stoxx 50 was actually slightly down on the day, and both the European index and the French CAC 40 have been virtually flat since. This suggests what we have been saying for a while, that markets had counted their chickens long before they hatched; Macron's victory was already priced into equity valuations. In market language, it was a case of 'buy the rumour, sell the fact'.

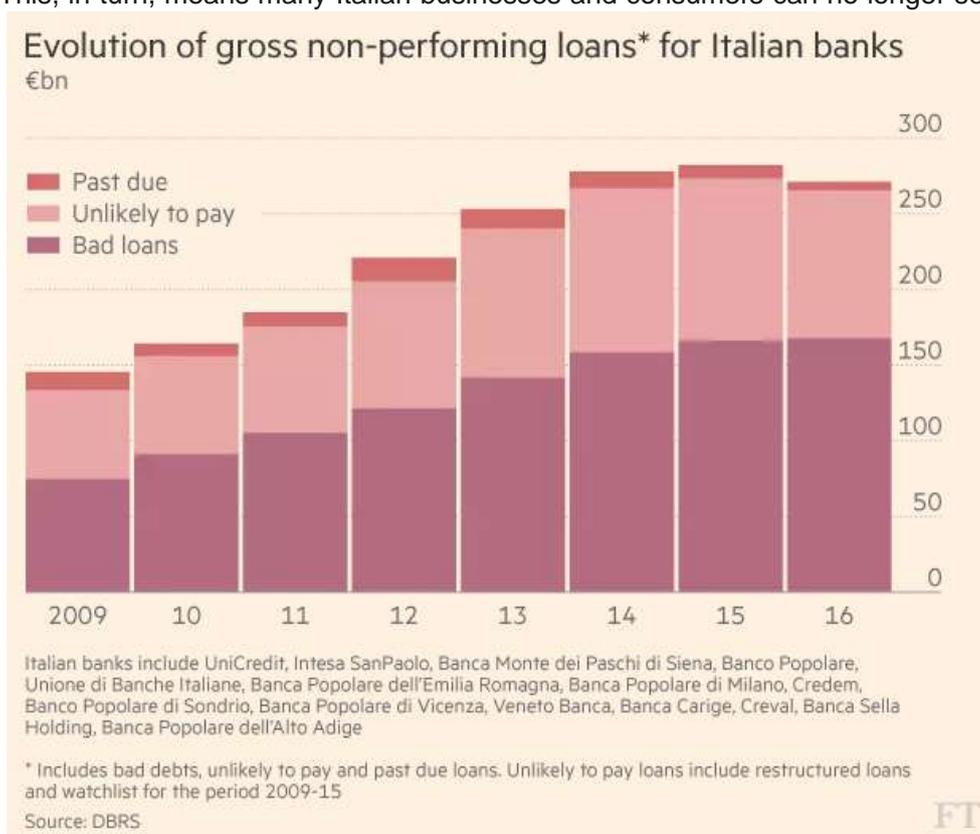
In Europe, the tide of populism had already been receding for months. Austria's presidential election last December saw far-right populist Norbert Hofer defeated fairly comfortably, and the Dutch election in March similarly saw far-right islamophobe Geert Wilders fail to win. Both results were heralded in the media as sign that populism was down for the count on the continent, and

the French election is thought to confirm this. According to Dutch politician Jesse Klaver, the Netherlands' vote was the "quarter-final" of Europe's electoral season, and the failure of the populists was a good sign for the semi-final (France) and the final (Germany).

Actually, the 'final' is a much lower risk to markets. Angela Merkel's CDU is on course for another win and, even if she fails, Martin Schulz's social democrats of the SPD are hardly a threat to EU stability. As such, attention has turned to the next (supposed) political iceberg: Italy.

Despite the Italian election being up to a year away, the strength of Beppe Grillo's populist Eurosceptic 5-Star Movement (M5S – now ahead in the polls with 30%) is a big fear for markets. The departure of former Prime Minister Matteo Renzi, following December's referendum on constitutional reform, sparked similar worries, due to Renzi's commitment to fixing Italy's ailing banking sector.

The country's banks have long been suffering under the weight of €260bn in non-performing loans (NPLs), a remnant of the Eurozone crisis that won't go away. The NPLs have put considerable stress on the Italian financial system for years, making it the perennial weak link in the European economy. They have also locked the country in a vicious cycle. The bad debt has handicapped Italy's banks, whose subsequent inability to fund business expansion has resulted in stagnant growth. This, in turn, means many Italian businesses and consumers can no longer service their



debt – thus increasing the country's NPL stockpile. What makes the Italian position more precarious than elsewhere is that a large chunk of the bank debt is held by private savers and pensioners in the form of bank bonds. This turns a bail-in of bond holders for a bank recapitalisation (as is now prescribed by post crisis EU rules) into a systemic risk for Italy's banking sector.

While recent signs have been positive – the economy grew at its fastest rate since 2010 last year (0.9%) and total NPLs decreased for the first time in 8 years – Renzi’s departure and the rise of M5S doesn’t help the situation. And, despite the decrease in the total stock of bad loans, the proportion of *sofferenze* (the worst class of loans, where borrowers are insolvent) has increased. As Nicola de Caro, vice president at Canadian rating agency DBRS, says “the quality of the portfolio is deteriorating,” What’s more, the IMF don’t think that Italy will return to pre-crisis growth for another decade.

The simplest way to solve the issue – a government funded rescue for the banks – is hugely unpopular, both with the public and with the EU, whose rules prohibit such intervention. Public money going to help out the banks would also give succour to the populists, reinforcing M5S’ message that the politicians serve only big business interests.

Indeed, every apparent solution to Italy’s problem has its own hurdles. The recent pickup in Eurozone growth will help Italy as it feeds through, but the inevitable tightening of Eurozone monetary policy that will follow will stifle the government by increasing borrowing costs. Public debt is already at the historic high of 132% of GDP, and tapering of QE by the ECB will only increase this by upping the cost of finance.



Because of this, many commentators have argued that the ECB should pursue a patchwork end to QE – ending their purchase of German bonds while maintaining purchases in struggling economies like Italy. But, this break in the uniform approach won’t be well received by European politicians (particularly the Germans), and neither will suggestions to write off some Italian government debt or enact direct fiscal transfers across the Eurozone. Certainly, the experience of the Greek crisis should hardly fill Italian officials with hope that EU politicians will put sorting the economic situation ahead of politics.

The two situations are different, however. While Greece’s turmoil was an annoyance to European politicians, a full-blown banking and sovereign debt crisis in Italy has the power to cripple the continent – meaning they’ll get far more sympathy. There are some estimates that the required bail out would involve £50-60bn €-Euros, which could be raised relatively easily within Italy, as long as they do not require a bail-in of private savers. In light of this, we don’t believe that the EU

would allow Italy's banks to reach crisis level, even if it means bending some of the rules to do it. This is particularly true if M5S continue their recent success, as any sense of EU abandonment from Italian voters will be quickly capitalised on by Beppe Grillo's populists.

Despite Italy's problems, we see the increased frequency of Italy scare stories more as a sign of desperation from the Euro bears than a true reflection of the likely risks ahead. In fact, as we have noted in these pages recently, it seems that political risks don't have the same ability to shock capital markets as they did into the end of last year. Instead, focus is onto the underlying economy to provide evidence supportive of current valuations. On this front, Europe is doing well, as is Italy. The mountain of bad debt won't be magically whisked away by the European uptick, but it might very well be alleviated. And, for European politicians who don't want the party to end too early, it might just provide the political will to see the issue resolved.

### GDP and income growth through higher productivity or more jobs?

We find it interesting that the debate on productivity has resurged this week. This is probably due to the fact that both the US and the UK have returned to the slow growth rut we have been stuck in since the global financial crisis (GFC). Given that productivity improvement – at both a unit and aggregate economy level – is a barometer for the health of an economy and a key determinant of long-term economic growth, this renewed focus seems appropriate.

At a recent lecture to the RSA (The Royal Society of Arts), Theresa May's adviser on employment regulation and practice reflected on 'dead end' jobs and poor economic productivity in the UK (albeit in the context of its impact on the health and welfare system).

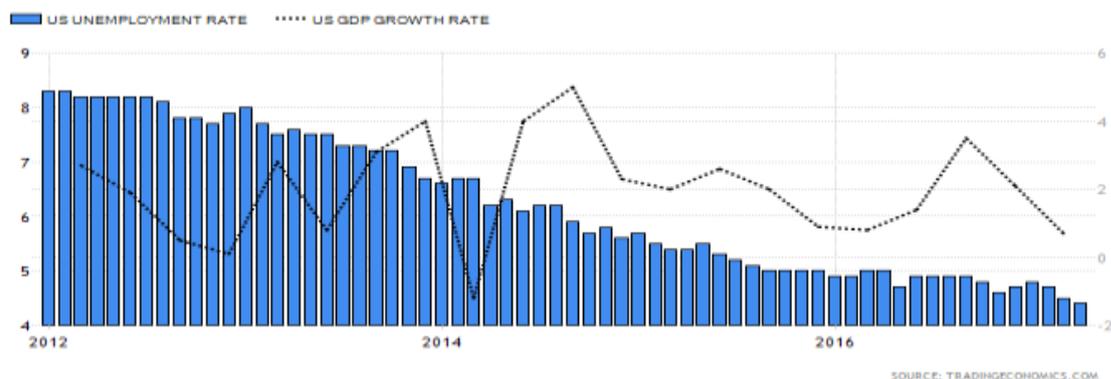
In the US, the new administration still wants to change fiscal (and trade) policy with a view to reaccelerate growth to 3-4%. Considering that unemployment has fallen to just 4.4% (4% is deemed full employment), it is questionable whether fiscal stimulus would deliver more than a transitory uplift, if not also accompanied by measures to improve underlying productivity.

Why does productivity matter? Productivity levels and the rate of productivity improvement contribute to an economy's growth, because an economy can either grow through population growth (if productivity remain unchanged) or increasing productivity (if the population remains unchanged). Higher productivity tends to expand the economy's capacity and potential, and, in theory, create a virtuous circle of labour efficiency, higher wages, more consumption, improved corporate returns, and investment etc.

Therefore, given the increased tightening of the US labour market – which, with 4.4% unemployment in April 2017, is at its lowest level since May 2007 – analysts must be scratching their heads as to why the US economy is not doing better. Or, indeed, whether any fiscal stimulus can actually achieve an economic uplift in this environment, rather than just causing higher wage inflation.

As shown in the graph below, a growing workforce is not a guarantee of economic growth. While more workers will tend to produce more output, economic growth is determined as much by how that output is produced, and not simply by the level of employment.

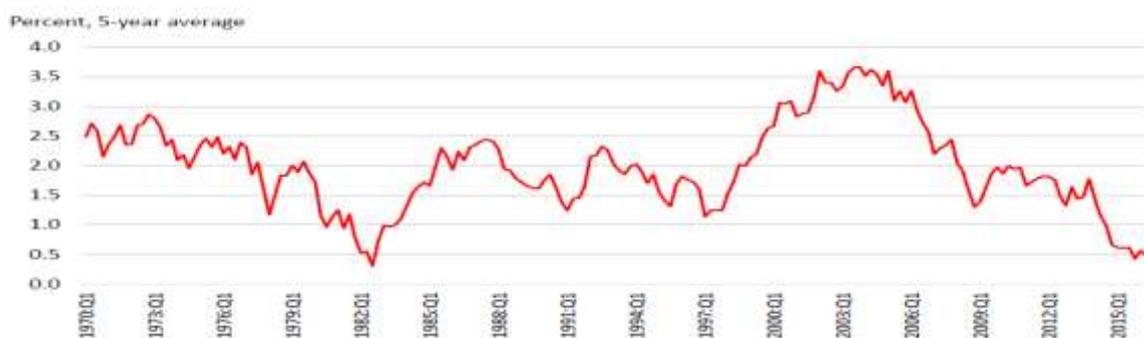
## Economic growth relative to rates of employment



Source: *TradingEconomics*, May 2017

Even though US output is ~11% higher than its pre-crisis peak and employment is now higher as well, the expansion is showing the slowest pace of GDP growth of any period of post-war recovery. The experience of the US is mirrored in a number of other developed economies. Both the US Fed and the Bank of England (BoE) seem to agree that productivity is a key cause of this dilemma. The BoE believe one of the biggest current challenges is the lack of personal income growth, associated with a 16% shortfall of productivity in the UK since 2008. According to the US Fed, labour productivity has increased only 0.5% per year since 2010 – the smallest 5-yr rate of increase in the US since World War II and about 0.25% lower than the average post-war rate.

## US labour productivity



Source: *speech by Jerome Powell, Board of Governors US Fed, November 2016*

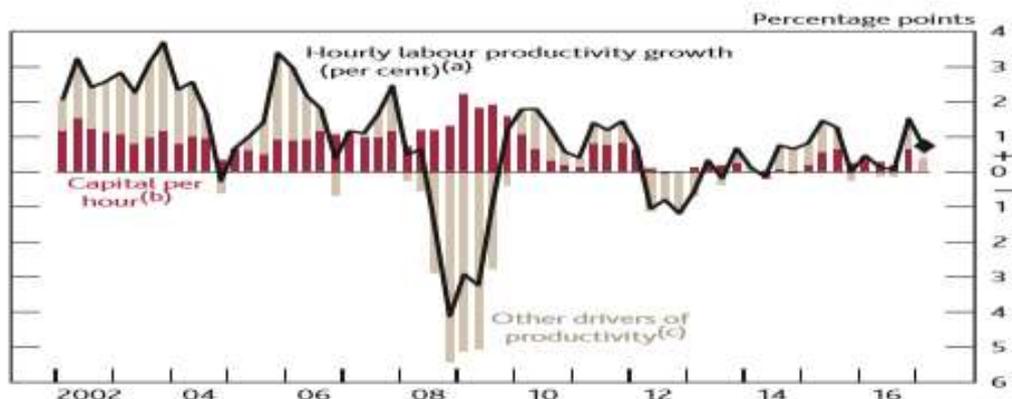
It could be argued that the US and other developed economies have effectively ignored the productivity issue for some time, simply by means of “importing a solution”. As China (and, prior to that, pan-Asia), developed and grew their economies, the US, the UK and others imported cheap goods and services (and, to an extent, labour) from these regions. While this meant that - given the relative strength of western currencies - we could continue to consume at the same rate (if not more), it also had the effect of reducing the competitive and innovative pressures, thereby leading to a slowdown in productivity.

In our view, however, a better explanation for the productivity lag in the West is the reduced levels of business investment and capital formation – not as a consequence of the above, but because business confidence to achieve a return on investment was lacking. Recall, a country’s output

depends on so-called factors of production – labour and capital – and how these combine to deliver it (infrastructure, products, services etc.).

Like the UK (see graph below), business investment in capital stock in the US remains subdued, and low productivity is described by the US Fed as “a consequence of the slower pace of capital accumulation, diminishing gains in technological innovations and downward trends in business formation”.

### UK labour productivity and capital stock



Sources: ONS and Bank calculations.

Source: Bank of England, Inflation Report May 2017

Investment in capital, and the business confidence to do so, is therefore critical to productivity and economic growth. So, while it is reasonable to assume that a Republican administration will seek to reduce the tax burden (cf: Reagan, Bush etc.), we believe a better way to tackle slow growth would be by focussing efforts on targeted incentives for a recovery of CAPEX investment levels (i.e. productive capital). Here, simply greater political and economic certainty would go a long way in achieving such an aim.

Long-term sustainable growth and productivity are unlikely to be achieved by just an artificial fiscal stimulus. As laid out above, this may inadvertently stoke inflation in the current environment, and, perversely, encourage the Fed to raise interest rates. This, in turn, would reduce business' willingness to invest into their productive resources. To the extent that Western economies need further bolstering, politicians should give more consideration to encouraging business investment through increased planning certainty for business cases, as well as public funding of education, vocational training and continuous professional development for a more highly trained work force.

### Solid company results (finally) drive up corporate confidence

If you were to pick any business sector today from around the world, you will likely find mention of M&A (Merger's & Acquisitions) activity. More encouraging than these, from a longer-term perspective, are increases in business spending (CAPEX).

This could mean that the global corporate landscape is gradually returning to its former health. Indeed, company balance sheets hold plenty of cash, valuation multiples have risen and the underlying economic backdrop looks robust. Added into the mix are the solid results from US firms,

but even better earnings from companies in Europe and elsewhere. This seems to be driving a positive feedback loop of rising corporate confidence, which may lead to further investment activity.

In the US, Q1 earnings look like they will hit the best rate of quarterly growth in more than five years. A total of 83% of companies on the S&P500 Index have now reported and FactSet said that the blended Earnings Per Share (EPS) growth rate expanded 13.5%, up from just 9% expected at the start of the quarter. This would mark the best reading since the 16.7% level from Q3 2011.

Financials and energy stocks have been by far the biggest contributors, but then they were also the ones who had dragged down earnings averages previously. We note that 75% of firms have printed above consensus – better than the 70% one-year average – while 66% of firms beat on sales/revenues, which is above the 53% one-year average. On aggregate, company earnings are 6.3% better than estimates (one-year average is just 4.3%) and sales are 0.9% above expectations (one-year average surprise rate is 0%).

Over in Europe, the earnings story is looking even more encouraging. Only 186 companies on the Stoxx 600 have reported earnings but, out of those, 112 firms – or about 30% of index market cap – have exceeded EPS forecasts by 11.1%. This represents the strongest level of EPS surprise since Q3 2009!

At a sector level, like their US peers, European financials were the dominant driver of earnings surprises, with EPS nearly 21% better than expected. The healthcare and energy sectors also saw positive surprises, the latter on the back of higher oil prices.

With earnings and economic fundamentals improving globally, it becomes easier to justify the recent record highs in stock prices, possibly supporting the ongoing bull market. We believe the convergence of these factors is underpinning corporate confidence levels. The one concern to note is that many companies are relying much more on cheap debt at the moment than they have in the past, which makes them financially more vulnerable.

Nevertheless, this confidence appears to be translating into increased M&A or investment activity. Both M&A and CAPEX activities seem to be broad based, regardless of sector, but one theme has emerged – that of scale. Perhaps companies believe that, to ‘win’ on global basis, scale might be needed. We are seeing increasingly large deals by already large firms, with firms wanting to enhance their competitive positions.

While M&A can be seen as a defensive move by firms looking to reduce competition, a company might equally want to enter a new market, product or service by buying an established business, as it could offer more reliable returns than building from scratch.

The week started with a blockbuster €26.9 billion offer from US chemicals firm PPG for Dutch paint and coatings specialist Akzo Nobel (owner of Dulux paints). The offer was rejected by Akzo Nobel, and the move may end up forcing PPG into making a hostile bid or having to walk away.

Over in China, the planned merger of ChemChina and Sinochem would create a chemicals giant with global revenues of more than \$100 billion.

In the transport sector, German giant Siemens and Canada’s Bombardier are reported to be in talks to merge their respective train building units, creating a company with revenues north of \$15

billion. They are doing so to better compete with Chinese rival China Railway Rolling Stock, who are gaining market share globally.

In the mining sector, rumours of possible deals increased after commodities firms returned to profit, following strong cost cutting measures. Giants Rio and Glencore made combined profits of \$15 billion in 2016, following a combined \$20 billion of losses in 2015.

Over in Europe, the improvements in domestic spending in the Eurozone might encourage car makers like Fiat Chrysler, Daimler and PSA (Peugeot) into action, following strong quarterly results. Sector consolidation might take place in response to the challenges of developing electric and driverless vehicles. So far, Volkswagen's chief executive, Matthias Müller, has refused to rule out any takeover talks with Ferrari.

In the telecoms sector, Japan's Softbank is rumoured to be mulling a bid for US Sprint. Apple, the world's largest company by market capitalisation (>\$800 billion) has over a quarter of a trillion in cash on the balance sheet, and has been linked with buying Disney, Netflix, Nintendo and many others.

We note that the 'Nasdaq five' (Google, Amazon, Apple, Facebook and Microsoft) have reached a combined market cap of nearly \$3 trillion, well over 10% of the entire US equity market. For context, the N5 is more than the total value of stocks in any single equity market worldwide, except the five biggest: US, China, Japan, Hong Kong and the UK. Should anyone of them decide to acquire, then they certainly have the financial resources, both equity and cash.

A research report from fund manager Fidelity suggested that the recent mergers of large players in investment management might force a wave of consolidation in the sector, to combat the increasing downward pressure on fees from a shift into passive investments and technological changes like robo-advice. The industry is already starting to look different, following the combination of Janus Capital with Henderson, Standard Life and Aberdeen, while Amundi acquired Pioneer Investment. In five years' time, there are likely to be fewer, but larger managers.

On the CAPEX side, we note that Q1 real business investment jumped by an annualised rate of 9.4% in the US, much faster than the 0.4% average pace seen over the past two years. This increase is relatively broad-based, and not simply an impact of higher energy prices releasing investment in the oil and gas sector.

Goldman Sachs estimate that, at this stage of the business cycle, CAPEX typically grows twice as fast as GDP, so annual rates of around 4% are possible over the next few years. Additionally, the favourable fundamental factors like low interest rates might suggest continued positive momentum in the near term.

We anticipate that this newfound confidence, a result of better earnings and improving economic fundamentals, may continue to provide support to equity markets at current levels. But, equally plausible is the idea that renewed M&A may provide a short-term boost to stock prices. However, the encouraging pick-up in CAPEX should, as discussed in the article above, generate longer-term positive benefits.

## Bitcoin's surge accelerates as Japan legalises Bitcoin payments



**Source: Bloomberg**

Bitcoin is back in the news, as prices surged near \$1,800. The price of a single Bitcoin (ticker XBT) has jumped near 30% since the start of May, and has continued to reach a new high nearly every single day in the last four weeks.

Activity levels in the past couple of days have been astonishing, adding \$225 or 14% just this week alone. The market capitalisation of Bitcoin has risen from just over \$7 billion last May to well over \$38 billion today. This leaves Bitcoin as the best performing currency year-to-date after rising over 90%.

Investors may be left wondering what is behind the seemingly relentless drive higher.

The simple answer is supply and demand, with Japanese buyers accounting for a large proportion of recent moves.

The more complex answer involves a number of factors, from tighter Chinese regulation on unregulated Wealth Management Products (WMP) and moving money offshore in China, to currency volatility in Asia (particularly the Japanese Yen) and the recent legalisation of Bitcoin as a payment method in Japan. Additionally, there is potential for an Exchange Traded Fund (ETF) product based on Bitcoin to expand investment use, in the same way that gold funds led to increased financialization, allowing investors easier access.

So far, the Chinese regulatory crackdown to encourage deleveraging in their financial system has led to a corresponding pick up in volatility in domestic capital markets. But, the wider impact on global markets has been more limited. We have seen large falls in commodity markets – iron ore was down 8% last week. Mainland equity and fixed income markets have come under pressure, so perhaps a natural outlet for Chinese investors might be Bitcoin, in light of their relative ease of obtaining versus getting money offshore or buying high yielding WMPs.

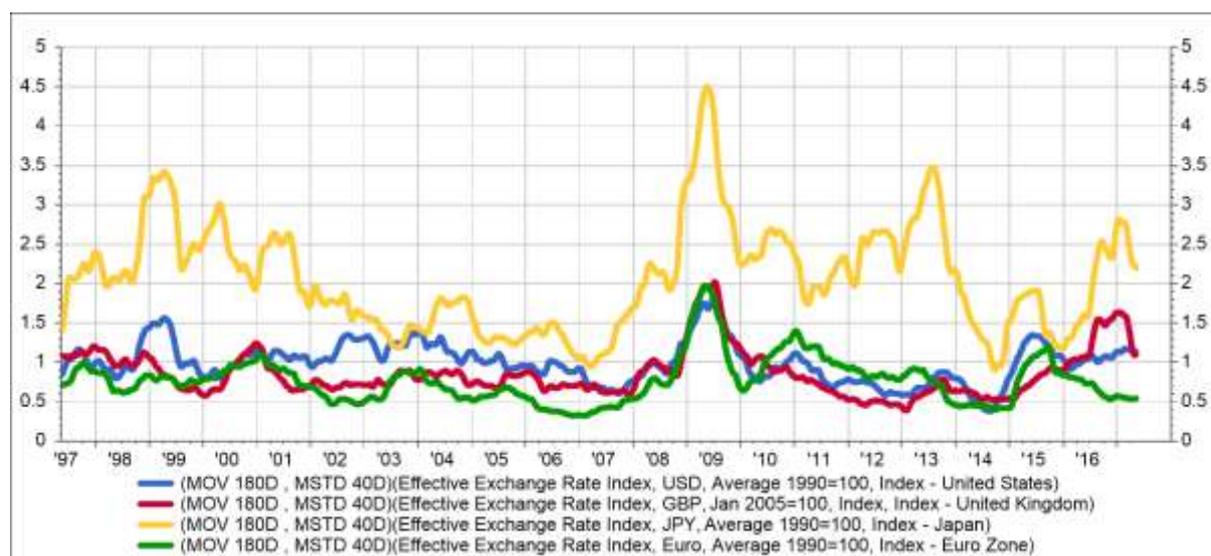
The large and nearly constant moves upwards over the past few weeks may have even tempted some of the more speculative investors out into the open, merely enhancing the digital currency's positive momentum.

The negatives for Bitcoin investors were the US SEC (Securities & Exchange Commission) initially rejecting a Bitcoin-based ETF and news of a possible 'fork' or splitting of the blockchain that would essentially create two separate systems, thereby diluting existing values. One camp wants to change the way transactions are recorded and the other wants to introduce a new rule on what makes a transaction valid.

The stabilisation in Bitcoin prices seemed to occur when the US dollar appreciated in April, Chinese FX outflows moderated and its currency reserves increased for three consecutive months, moving back over the psychologically important \$3 trillion level.

The turning point and trigger for the rally appears to have come first from Japan and then Russia. The news that Japan legalised Bitcoin as a payment method (Russia is considering the same) led to an increase in popularity and demand from Japanese buyers.

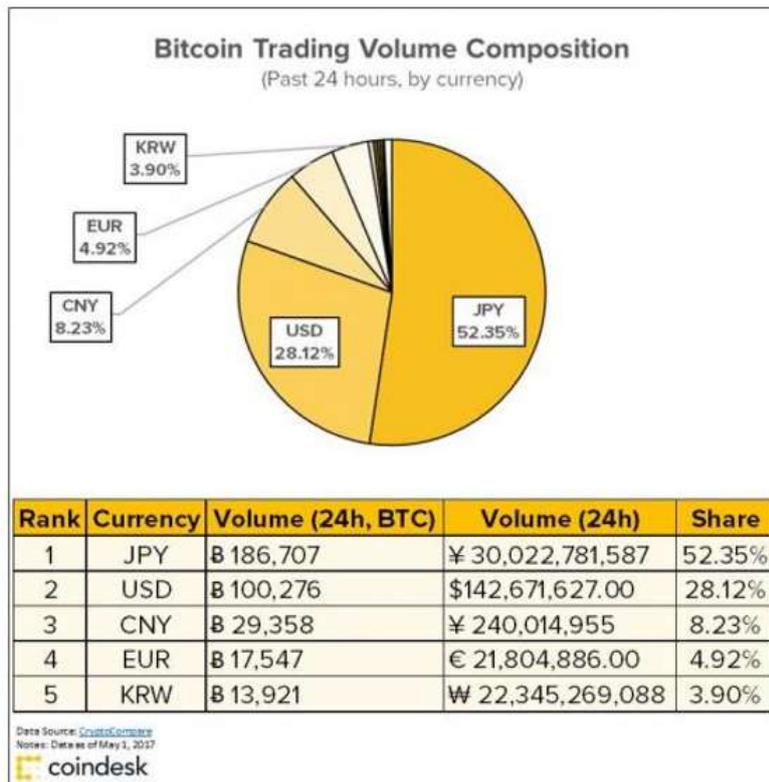
Given the rule changes in Japan, the Nikkei reported that 10 local companies are launching virtual currency exchanges to tap the perceived growth in Japanese demand. Additionally, Japan's consumption tax will no longer apply to digital currencies like Bitcoin.



Source: FactSet

At the same time, we witnessed a pick-up in Yen volatility, and the chart above shows how the Yen has persistently been the most volatile of the major global currencies, with GBP next in line.

Japanese bond yields are effectively zero, and there is potential for speculators to shift their attention from FX trading to Bitcoins, to generate returns in a now legal currency. Considering these factors, the attraction becomes more obvious. Japanese investors have been very active internationally; we note that they have bought a very substantial ¥604.5 billion in foreign stocks at the end of April (this is the largest weekly purchase of stocks on record). There was a further ¥108.3 billion in flows to overseas equities last week, so there is a clear appetite for risk among Japanese investors.



As a result of this demand, Japanese buyers represented over 50% of all global Bitcoin trading volumes over the past 24 hours. To put the demand and subsequent rapid price increases into perspective, last summer, the annual rate of new Bitcoin supply creation was halved, however, this is not an arbitrary move, but an automatic process that is built into the code when the digital currency was created in 2008. This process aims to reduce the rate of new supply every few years in order to prevent inflation.

*What goes up (quickly) can also come down*

When prices rise so quickly, there is the equal risk that prices can also correct. If some Bitcoin buying is attributed to currency volatility in Asian currencies, a reduction in volatility could reduce demand too.

While the volatility of 3-month options on Asian currency exchange rates versus the US dollar rose sharply at the start of 2017, we have seen volatility start to fall in both February and March as China and other EM economies showed strong growth. Falling currency risk during this time, occurred in parallel with strong equity market returns throughout Asia.

A repeat of falling volatility could mean investors return to stock market investments, rather than virtual currencies. We note that this week both China and Japan proposed a new type of bilateral currency swap arrangement with the Association of Southeast Asian Nations that could provide up to \$40 billion in short-term liquidity supply during times of crisis.

So, while the supply and demand dynamics are working in Bitcoin's favour now, continued strong growth in Asia and reduced geopolitical concerns could also produce a bout of profit taking in the near-term.

## PERSONAL FINANCE COMPASS

### Global Equity Markets

MARKET	CLOSE	% 1 WEEK	1 W	TECHNICAL
FTSE 100	7428.9	1.8	131.4	↗
FTSE 250	19755.7	0.3	56.0	↗
FTSE AS	4068.0	1.5	61.2	↗
FTSE Small	5621.8	1.3	69.4	↗
CAC	5401.3	-0.6	-31.1	↗
DAX	12763.6	0.4	46.7	↗
Dow	20904.3	-0.5	-102.7	↗
S&P 500	2391.3	-0.3	-8.0	↗
Nasdaq	5684.0	0.7	37.9	↗
Nikkei	19883.9	2.3	438.2	↗

### Top 5 Gainers

COMPANY	%	COMPANY	%
ASTRAZENECA	12.4	HIKMA PHARMACE	-10.8
FRESNILLO	7.2	MICRO FOCUS INTER	-7.0
RANDGOLD RESOURC	5.2	PEARSON	-5.6
MEDICLINIC INTERNAT	5.0	ITV	-4.8
GLAXOSMITHKLINE	4.8	TRAVIS PERKINS	-4.6

### Sovereign Default Risk

DEVELOPED	CDS	DEVELOPING	CDS
UK	31.4	Brazil	205.1
US	26.9	Russia	153.5
France	29.4	China	78.4
Germany	16.5	South Korea	54.9
Japan	30.4	South Africa	193.5

### Currencies

PRICE	LAST	%1W	CMDTY	LAST	%1W
USD/GBP	1.29	-0.79	OIL	50.7	3.2
USD/EUR	1.09	-0.65	GOLD	1229.3	0.1
JPY/USD	113.34	-0.56	SILVER	16.5	0.7
GBP/EUR	0.85	-0.13	COPPER	252.1	-0.3
JPY/GBP	6.90	0.05	ALUMIN	1875.0	-2.0

### Commodities

### Fixed Income

GOVT BOND	%YIELD	% 1W	1 W
UK 10-Yr	1.1	-2.7	-0.03
US 10-Yr	2.3	-0.9	-0.02
French 10-Yr	0.8	-0.6	-0.01
German 10-Yr	0.4	-6.5	-0.03
Japanese 10-Yr	0.0	123.8	0.03

### UK Mortgage Rates

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

For any questions, as always, please ask!

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Lothar Mentel

