Weekly Market Comment

5 May 2017

Lothar Mentel

CHIEF INVESTMENT OFFICER

Samuel Leary

HEAD OF INVESTMENT COMMUNICATIONS

Isaac Kean

INVESTMENT WRITER

Duncan O'Neill

GUEST ECONOMIST

www.tattoninvestments.com Twitter: @TattonIM

125 Old Broad Street, London EC2N 1AR. Tel: 0207 190 2959

Megaphone politics calming the stock markets?

It has been a week so full of new developments that it is hard to know where to start. So, let me start in order of relevance for investors.

North Korea came under pressure from China over its nuclear missile program, resulting in quite threatening media statements towards China. Given 75% of all imports and exports are from and to China the rant is more sign of frustration from the North Korean regime, because they know it's 'game over'. Therefore, should China stick to its new strategy, then one of the major geopolitical threats of 2017 might just have been more or less neutralised.

China itself, however, is beginning to worry global economists as there is more and more evidence that the high GDP growth rate achieved in the first quarter of the year and most of last year is not sustainable, while the government is getting serious about clamping down on lending excesses that originate from the shadow banking sector of largely unregulated wealth management products. This is positive for longer term financial stability – not just in China – but tightens money supply in the short term. The inevitable result of falling demand has many worried that we could face a reversal of last year's 'China boost', when their demand surge revived global growth. We agree with the observation of a slowing China, but would suggest that the fear of a 'China hard landing' as it has now been reappearing for more than a decade is very likely once again an exaggeration.

Turning to the US, president Trump achieved his first political win (and kept emphasising to his Twitter followers repeatedly) as the lower house of the US Congress (House of Representatives) finally passed another attempt to repeal 'Obama Care' by the narrowest of margins. The upper house, the Senate, is seen as very unlikely to pass the bill in its existing format, but instead draft its own. Consequentially this will now once again tie up political resource, thereby delaying regulatory and fiscal reform initiatives which are seen as the higher priority under his MAGA political paradigm (making America great again). However, maybe that is not so bad for investments, because as we also learned during the week from the central bank's April meeting statement and the latest employment figures, the Q1 economic deceleration is most likely just as transitory as it has been the previous two years. With unemployment dropping to just 4.4%, much additional economic stimulus from fiscal and deregulation measures would increase the risk of economic overheating, or at least much of it evaporating through wage inflation. Markets appeared to see it that way and rose despite the prospect of less help from politics and the central bank.

Turning to Europe, our UK readership may be worried by some headlines that apparently 'the first shots' have been fired in the Brexit negotiations, which suggests an outright war attitude, rather than one of 'let's stay friends and continue to prosper'. Alas, we were not at all surprised by the hostile 'briefings' on both sides, because we had forecast this to happen during the election heavy 2017. I would even suggest that Juncker knew exactly that his doing would actually strengthen May's election prospects and that his aim was instead to support Macron and Merkel – advocates of EU stability and continuity.

Far more important for us were two news items which were drowned by all the other news flow. Firstly, that Greece's bailout term changes have been agreed with the EU and the IMF which averts the next episode in the country's never ending debt tragedy. Secondly, that Italy's economy is likely to be growing at its fastest pace in 10 years. That is a great relief for its banks, because the better companies trade, the less likely that all those non-performing loans on Italian bank's books will turn sour. If we still count the UK as part of wider Europe then there were some encouraging data points from here too, as UK industry reported much more upbeat business outlook figures then the recent falls in consumer demand would have suggested. It appears that as we anticipated a while ago, the upswing in economic activity across the Eurozone is indeed trickling down to the UK as well – compensating through EU trade at for least some of the consumer demand decline.

This leaves the election theatre. Here, the landslide victory for the Conservatives in the UK's local elections was seen by many as validation of their predictions for the same outcome in the general election in a month's time. While there has not been the highest of correlations between the two types of elections in the past, one can't but observe signs of a fairly strong trend. This should further reduce concerns amongst investors about political uncertainty in the UK – at least compared to what we had in the immediate aftermath of the Brexit referendum.

So now we are awaiting with bated breath that the moderate presidential candidate Macron will indeed defeat populist presidential candidate Le Pen in the weekend's second round of the French presidential elections. Capital markets appeared to be quite certain for this to happen, but since Brexit and Trump, we can still expect the Euro to make another jump upwards when the electorate really votes as expected.

Last but not least, oil price gyrations kept oil traders and commodity speculators busy, as hope was dwindling that OPEC would succeed in lowering output as agreed late last year, while US shale exploration is ramping up once again and thereby threatening to undo even the little in cuts OPEC has been able to achieve. Not really news to us and our readers, as we suggested as much only a couple weeks ago.

On balance then, more stabilising than upsetting news updates for investors this week, but I will be far happier and more confident next week, when we will hopefully have a French president by the name of Emmanuel and not Marine and the Bank of England tells us that rates will stay the same, even if they see UK economic prospects stabilised and improved.

North Korean risks dissipate despite threats

In a twist of the unfolding North Korean tale, the hermit kingdom unleashed a rare direct criticism of ally and lifeline provider China this week. The Chinese government have committed a "betrayal" by having closer ties with the US, according to North Korean state-run news agency KCNA. In the angry commentary, DPRK (Democratic People's Republic of Korea – the North's official name) writer Kim Chol stated that "China had better ponder over the grave consequences to be entailed by its reckless act of chopping down the pillar of the D.P.R.K.-China relations."

Strong words to say the least. The tirade against their only real ally follows an escalation of tensions between North Korea and the US, with the former accusing the latter of bringing the region to the brink of nuclear war, after a nuclear-powered US warship was sent into Korean waters and the Trump administration warned that the "era of strategic patience" is over.

In recent months, North Korea has ramped up pursuit of its nuclear and missile programmes, with fears that the Kim regime will conduct its sixth nuclear test, in defiance of UN security council resolutions. Just this Saturday, a failed North Korean ballistic missile was detonated in mid-flight as it headed for Russian territory, while the totalitarian state has warned the US that further provocation – such as the recent joint bomber plane training drills with South Korean military – would lead to their "final doom".

The barb from North Korea at their neighbour across the northern border comes as Chinese officials have been calling for a harsher line to deter North Korean nuclear ambitions. "Some ignorant politicians and media persons" in China have suggested increased sanctions or even military action, if the North do not let up in their nuclear pursuit, calls that Kim Chol said were "based on big-power chauvinism".

In truth, the tension between North Korea and their lone ally is nothing new. In February, the world's second largest economy suspended coal imports from North Korea, the country's largest export industry, which provoked a similar (albeit indirect) rebuke from DPRK state media. To much less media noise, early last year saw China's biggest bank ICBC froze accounts belonging to North Koreans, due to rising tensions between the two regimes.

Both historically and currently, the North Korean state could not exist without China. After the brief post-WWII peace between the Soviet-occupied North and US-occupied South, the Korean war saw Soviet-installed 'eternal president' Kim Il Sung's army pushed back to the Chinese border by US forces. It was only through China's subsequent involvement (motivated by their fear that an American invasion was imminent) that the North was reclaimed and the current (ironically named) demilitarised zone that now separates the two Koreas was established. Today, China accounts for around 75% of both North Korea's imports and exports.

Despite this, however, the nation run by hereditary-dictatorship is not quite the client state to China that is often claimed. China has no military personnel below the border, and both current leader Kim Jong Un and his predecessors have often displayed a willingness to disobey the orders of their supposed masters – as the nuclear programme shows. Contrast this with the subordination of eastern bloc states to the USSR, where Soviet troops were virtually omnipresent to quell uprisings and ensure Moscow's interests were front and centre.

The KCNA attack on China has been presented in the media as a ratcheting up of tensions in the North Korean affair. Indeed, the "grave consequences" threatened by the hermit nation make it sound like the government in Pyongyang is becoming increasingly hostile and erratic. However, such threats are typical from the regime, who rely on talking up their military might to command the obedience of their supressed citizens.

We actually anticipate that the comments from North Korea decrease the geopolitical risk of the situation. China's decision to join in with the US to stop North Korea's nuclear build-up is clearly effective, explaining the regime's anger. And, if China is involved in trying to calm the danger brewing below the border, it means that direct US military involvement in the country is unlikely. Despite President Trump's apparent willingness to engage in global conflicts, his administration wouldn't act while China are themselves putting pressure on North Korea.

Furthermore, there is little appetite among all relevant parties for a destabilisation of the Kim dynasty – despite its appalling human rights record and frequent famines due to resource mismanagement. It's clear that Chinese President Xi sees North Korea as a nuisance needing to be addressed, but military escalation isn't in China's interest, and neither is a trade embargo which would see the government's collapse. North Korea forms a highly valued buffer between China and the US sphere of influence in Asia, particularly as the US is undergoing their 'pivot to Asia' begun under President Obama. Similarly, it's hard to see what the US has to gain from a collapse of North Korea. The benefits of knocking out a Chinese satellite state are massively outweighed by the inevitable instability and likely violence that would ensue.

Even South Korea, despite often having to deal with the brunt of the North's threats and military shows of strength, don't have much of a desire for the regime's end. People often assume that Korean reunification is the eventual goal for the South, but this view is not universally shared. While reunification has always been the official goal of both nations, only 41% of South Koreans in their 20s favour the policy, while among teens the figure is even lower and closer to 20%.

The associated costs of integrating one of the world's most impoverished economies into their own is a daunting thought for many in the South. Unlike in Germany, where the West's 60 million population dwarfed the East's 16 million, North Korea's 25 million population is half the South's 50 million. And, after 60 years of separation and complete isolation of the North, the cultural divide is practically insurmountable. Much bad blood exists between the two countries; in fact, because the 'end' of the war in 1953 was marked with a ceasefire agreement and not a complete armistice, they are technically still at war!

As Korea expert Andrei Lankov has said of the governments' professed commitment to reunification, "It is a bit like Christians talking about the second coming. Theoretically they are committed – in practice it has little actual impact on their behaviour,"

This is why we think the status quo – continuation of the Kim regime without military involvement – is the most likely outcome. Kim Jong Un will know that sustaining his stranglehold on the country without Chinese support is impossible, so their resolution to curb the nuclear program is a positive. It remains to be seen how far China will go with their sanctions, however.

The UK & EU 'divorce' settlement

Divorces are rarely amicable and the UK's impending exit from the EU looks to be no different; it is starting to show signs of a messy separation. While the Brexit process may not be about "who gets the house", it will require resolution of outstanding invoices, a division of assets and agreement on the future rights of access.

Even though the parties to this particular Union have yet to formally begin the process of discussion, it is clear that the bargaining and negotiation has already started. For example, this week, EU officials revised up their estimate of the so-called divorce bill to ~€100bn. Recall, this is said to relate only to outstanding EU invoices and future financial obligations on the UK, it is not a measure of the potential long-term economic cost to the UK.

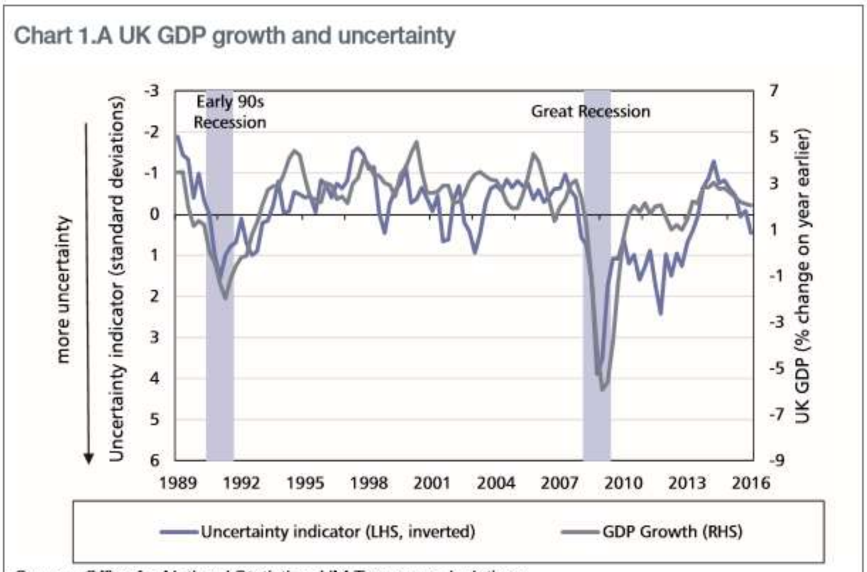
The UK Government's response to the EU's latest estimate was predictable, but also concessionary. The Prime Minister insisted that, "*the UK could secure a comprehensive trade deal with the EU alongside negotiations over the final Brexit bill*". This appears to concede that some form of "divorce bill" is legitimate, although the amount is likely to be disputed (after all, this is a negotiation process).

Given the added context of an imminent general election in the UK, the issue of the 'divorce bill', and the amount, attracted a lot of commentary in the UK's press; Brexit is again set to have a significant bearing on domestic politics. Indeed, it is such a material issue that it is likely to influence, if not dominate, the political agenda in a number of other EU countries over the short to medium term.

Other EU countries are also either going through an election process (France) or are gearing up for general elections later in the year (Germany), and we expect politicians in these countries to seek to make political capital from the issue as well. We note here Angela Merkel's recent calls for more realism on the British side, and the adoption of a tougher position on the UK's exit bill and the sequencing of negotiations.

Of course, this type of political manoeuvring is to be expected, and markets will largely ignore what might be described as 'megaphone' policy statements and political point scoring over the next few months. But, it cannot ignore the economic uncertainty of Brexit, a key aspect of which relates to the timing and transition to the UK's formal exit.

Market uncertainty and economic performance



Source: Office for National Statistics, HM Treasury calculations

It is, of course, difficult to accurately quantify this type of uncertainty (where it is not related to asset specific risk/premia). However, it is not difficult to see the potential effects. As the graph above shows, uncertainty in 2016 rose to above-average levels, associated largely with the referendum on EU membership. It also shows the apparent relationship between levels of market uncertainty and GDP growth.

The analysis cannot give a definitive prediction of future events but, as we have said before, Brexit uncertainty could have a material effect on economic performance (in the UK and possibly on the wider EZ). Therefore, politicians may actually have grounds for jousting and grand-standing if the end result is less uncertainty and more clarity on the direction of the economy.

To that end, Theresa May's decision to call a snap election may actually help to alleviate some of the uncertainty around the timing and precise nature of Brexit (and the transition process). If the current opinion polls are correct and the emerging trend from the local elections solidifies, leading Theresa May to an improved majority in the upcoming election, the new UK Government would be in a stronger position to manage a seamless transition to Brexit.

As Martin Wolf in the FT puts it: with a large majority until June 2022, a transition process - *involving continued membership of the single market* - would be more plausible. Moreover, within this longer period, there would also be greater scope for negotiation on a final trade agreement.

A parliamentary majority might help the UK's hand in negotiations with the EU. However, a parliamentary majority and the idea of maintaining (at least transitory) access to the single market are clearly assumptions, neither of which may prove correct.

We agree that transitory access to the single market – in advance of a final settlement – makes administrative and economic sense, but economists and markets will also be considering the potential downside. For example, the possibility of a tighter political outcome in the UK, a harder Brexit and the real cost of any 'divorce bill'.

As noted, the EU's latest estimate for the 'divorce' is ~€100bn, made up of EU budget items, contingent loan guarantees and (legal) commitments to projects initiated after Brexit takes place in 2019. Analysis suggests that this figure would likely net-out between €55bn and €75bn. This is still a sizeable sum, at ~3% of UK annual GDP, even if the cost to the UK public is spread over a number of years.

Nonetheless, this large number is small relative to the potential loss to the UK economy if there is no tariff free access to the single market (and the UK has to revert to WTO terms of trade with the EU), the potential downside of which was estimated by HM Treasury as being up to -7.5% of GDP.

If the Treasury's estimates and those of other institutions are broadly correct, then it might make sense for the UK Government to consider settling the 'divorce' account speedily, as a means of retaining access to the single market. Incurring the 'divorce' costs *and* failing to gain single market access could be considerably more costly for the UK public.

China 'hard landing' fears return; hype or serious threat?

We know from years of experience that investors love to worry.

The current 'wall of worry', after 14 months of up trending stock markets with widespread double digit returns, contains the usual suspects: Earnings, divergence of hard versus soft economic data, North Korea's nuclear missiles, elections in Europe, Brexit negotiations and, finally, the perennial target, a China 'hard landing'.

Of course, some of these fears about a Chinese economic downturn are well-founded – which matters greatly, as this would have the ability to negatively impact the global economy. However, we suspect that, as before, the worries are exaggerated by the increased attention the Chinese economy receives. Our experience of the past twenty years is that China receives undue negative hype, meaning fears over the potential impact of their issues are often worse than the reality.

We believe this particular fear is a (perhaps irrational) fear of the unknown. While information and economic data quality from China has improved over the past few decades, an accurate picture of what is really going on remains obscured by political control. 'Free market' economics in China is growing, which has been the catalyst for the phenomenal growth, but investors still fear what they do not understand, which leads us to today.

Renewed fears about problems in China and softness in 'hard' credit data seem to have become the new major topic of concern. The China problem is now the issue of the day, taking over from previous worries that Q1 company earnings – particularly in the US – wouldn't provide enough support for markets that some had thought had gone too far, too fast.

Now that the issue of earnings has largely been overcome, and investors have seen one of the best rates of profit growth since Q3 2011 (above 12%), nervous investment strategists appear to be turning their attention back to China.

What is behind the China fears?

Chinese manufacturing growth in April unexpectedly slowed, after other early signs of a slowdown in Q2 activity levels. This dovetails with falling credit growth, falling corporate investment and slowing construction.

The slowdown follows a strong Q1, in which GDP grew a better than expected 6.9%, a positive surprise against the backdrop of previous concerns over slowing growth in China. However, the fact remains that the country is transitioning away from an economic mix dominated by older manufacturing industries towards higher value added sectors, service sector expansion and increased domestic demand.

What has changed?

The global economic turnaround after the financial crisis of 2008/2009 is now largely attributed to the concerted efforts by Chinese authorities to boost growth by rapidly expanding credit, increasing infrastructure investment and providing support to the domestic housing market.

China repeated this effective stimulus in 2015 and 2016 and, as a result, market perceptions on China's economy appeared more positive at the start of Q1 2017, which, in turn, translated into increased levels of optimism globally.

As a result, Chinese central bank assets grew by an astonishing $15 trillion, and the country's share of global credit is now 25%, up from just 5% ten years ago. Non-financial debt grew from $3 trillion in 2005 to nearly $22 trillion today and is over 300% of the country's GDP (But note: UK stands at 400%).

Essentially, higher activity levels in China pulled in commodities from around the world, helping to provide a floor for commodity prices globally and causing the turnaround of the resources sector and connected manufacturing demand. Therefore, the 2016 turnaround and the subsequent ‘reflation trade’ dynamic has to be largely attributed to Chinese stimulus, rather than the supposed Trump effect.

What can giveth can taketh away

If recent optimism about global growth expectations are the effect of Chinese stimulus on the world, then, vice versa, slowing growth in China might also be sufficient to reverse that powerful positive impulse. This is the explanation for investors’ China focus today.

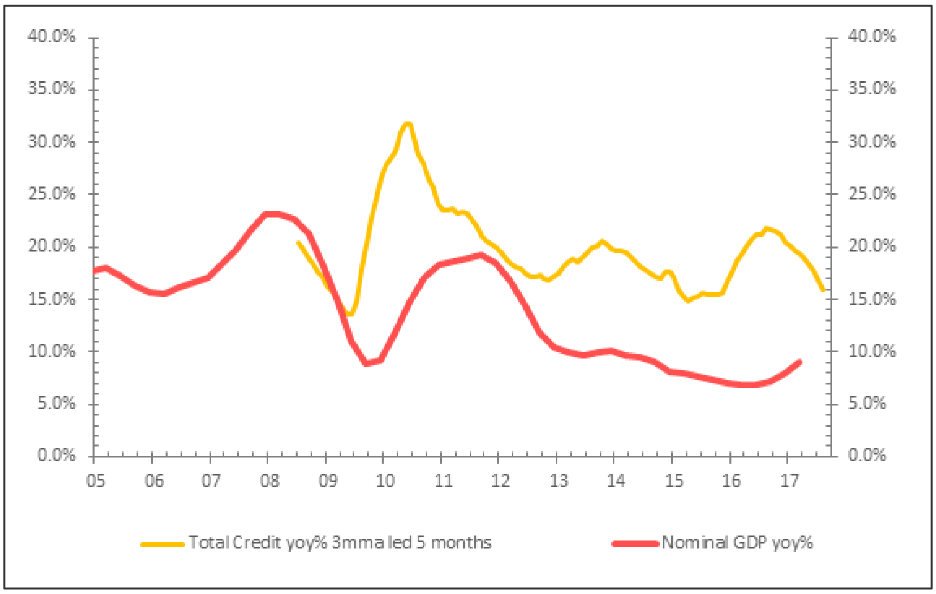
How does the decline in credit growth related to the transition to a new economy in China?

The current Chinese leadership, headed by President Xi, has operated under a typically cautious approach to economic reform, curtailing and reforming the unregulated shadow banking system, gradually adopting more free market principles and promoting new industries and services.

The outcome of this change, as we note above, is a slower rate of economic growth, albeit managed over the longer-term to provide the smoothest transition possible. The problem with this tightly managed approach, or ‘whack-a-mole’ as we have referred to in previous editions, is that it can have unintended consequences on other areas of the economy.

After last year’s massive credit expansion, Chinese authorities’ renewed crack down on credit excesses has resulted in a monetary tightening, which is perhaps slowing credit demand and the housing market even more than was intended or foreseen. This would explain why, within this tightening bias, the central bank has used credit injections, as well as changes in interbank lending rates to manage growth and stem currency outflows.

Clampdown on shadow banking has led to monetary tightening



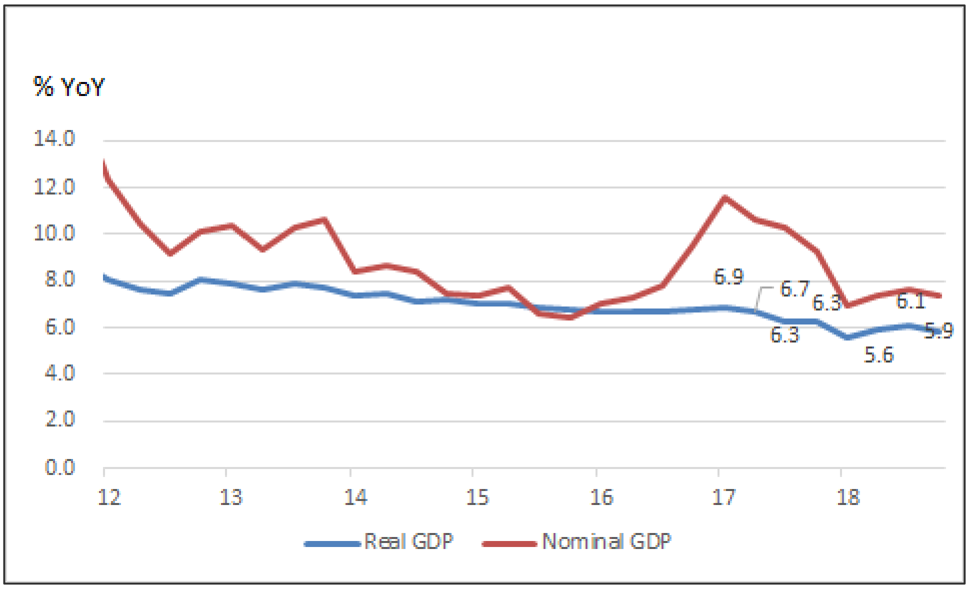
Source: AustralianSuper

The credit crackdown has focused on the shadow banking system in an attempt to deleverage unregulated Wealth Management Products (WMPs). We note that total assets in WMPs amount to $4 trillion or about 35% of GDP.

Chinese authorities appear to be achieving their aim with positive results, and the number of new WMPs issued by financial institutions fell a substantial 15% to 10,038 in March. One of the largest players (Agricultural Bank) saw their issuance collapse by 48%, following a tightening of regulation on macro-prudential rules.

If slowing Chinese demand and increased WMP regulations were to weigh on the economy, then we would expect to see the data to support any softening. Given such substantial monetary tightening, it is not overly surprising to observe the China Caixin Services PMI slowing to its lowest rate in 11-months, while global commodity prices, particularly for oil, copper and iron ore, have all taken a negative turn as well.

Growth path without renewed monetary stimulus as estimated by AustralianSuper



Source: AustralianSuper

To come back to the beginning, we expect that the concerns over the Global impact of the Chinese slowdown are overblown. An old colleague and friend of ours, who is now in charge of investment strategy for one of Australia's largest pension funds, is very close to developments in China, due to Australia's increased economic dependency on China's commodity demand. He kindly shared with us their projections for Chinese growth in a scenario where renewed monetary stimulus remains absent. While we believe that the Chinese authorities will counter any unintended monetary tightening by means of conventional easing, the above chart shows that we are far off a 'hard landing' scenario in any case.

So, in conclusion, China's growth is definitely slowing. However, compared to the situation 2 years ago, the other major economic regions of the world (Europe, Japan, US) are currently all running at a decent tack themselves, and are therefore far less dependent on the incremental demand pull from the Chinese economy. So, barring any additional negative economic developments, this Chinese slowdown has less potential to derail current growth momentum compared to its potency to stimulate it previously.

Can UK business demand help offset the consumer slowdown?

Politicians may have cheered the news that the outlook for UK manufacturing improved in April at its quickest rate in nearly three years, while the construction and all-important services sectors also posted upbeat survey data. This quickly leads to the question of whether business demand can help offset a slowdown in consumer demand, amid growing Brexit-related uncertainties.

The HIS Markit Manufacturing Purchasing Manager's Index (PMI) rose 3.1 points to 57.3 last month, the highest level since January 2014. The April reading was far stronger than the 54 that economists were expecting. This is now the ninth consecutive month of expansion, which has led to speculation that continued weakness in Sterling will act as a robust catalyst for additional export growth, rebalance the economy towards manufacturing and help offset softness in domestic consumer demand.

When we dig into the sub-components of the index, Markit noted that it was domestic demand rather than exports that acted as the key driver for the increase in manufacturing activity. Nevertheless, they also reported that companies saw a strong increase in new export orders, on the back of expanding global trade from which UK companies are disproportionally benefitting, as a lower Pound made British exports internationally more price competitive. At a sector level, the strongest growth was in investment or capital goods, which was driven by overseas demand.

The fact that UK business seems to have got off to a solid start in 2017 contrasts with the slightly weaker Office for National Statistics' (ONS) preliminary estimate for Q1 GDP growth and declining consumer spending. The ONS estimate for Q1 is +0.3% quarter-on-quarter, which is 0.1 percentage point below consensus forecasts and is the slowest rate of growth since Q1 of 2016.

The Bank of England (BoE), in its February Inflation Report, was a little more optimistic, expecting output growth to "slow slightly to 0.5%" in the first quarter. The BoE largely attributes this slowdown to the services sector, particularly consumer-focused industries like retail sales and hotels.

The improved performance of the Eurozone economies has perhaps been the biggest support for British exports, as demand from the continent has ramped up, dragging in British exports. A survey from the CBI was relatively upbeat, with the number of manufacturers reporting that demand for exports was "above normal" now at the highest level since July 1995, leaving some firms struggling to keep pace with demand for raw materials.

What is good for exporters is not always good for domestic consumers, however. As the pound has fallen in response to Brexit, imports have become more expensive. This has led to higher rates of inflation and has therefore impacted spending – and consumer spending accounts for 65% of UK GDP. There had been rising concerns that the combination of weaker consumer spending and postponed business investment could have a more negative impact on the wider economy than higher exports would be able to overcome.

Surprisingly, however, firm readings across the main industrial sectors of the UK economy have been positive, with last week's business sentiment updates painting a healthy picture of the overall UK economy. Indeed, with the composite output index rising more than a point to a very respectable 56.0, there is no longer an indication of creeping decline. This should bolster hopes that the slowdown in economic growth at the start of the year will prove only temporary, even if there has been some loss of underlying momentum.

Nonetheless, this does by no means constitute an all-clear signal for the Bank of England's (BoE) rate setting committee, which should therefore still leave policy on hold when they meet in the coming week.

PERSONAL FINANCE COMPASS

Global Equity Markets

MARKET	CLOSE	% 1 WEEK	1 W	TECHNICAL
FTSE 100	7287.2	0.7	50.0	↗
FTSE 250	19667.1	0.2	30.5	↗
FTSE AS	4000.8	0.6	23.5	↗
FTSE Small	5535.7	0.4	22.3	↗
CAC	5419.0	2.8	147.2	↗
DAX	12688.2	2.0	244.4	↗
Dow	20935.6	0.0	-4.9	→
S&P 500	2391.7	0.3	7.5	→
Nasdaq	5625.3	0.7	41.8	→
Nikkei	19445.7	1.9	366.4	→

Top 5 Gainers / Top 5 Losers

COMPANY	%	COMPANY	%
PEARSON	15.3	BARCLAYS	-7.9
INTL CONSOLIDATED A	10.1	PADDY POWER BETF	-5.9
EASYJET	8.9	MEDICLINIC INTERNA	-5.8
RBS GROUP	6.2	ANGLO AMERICAN	-5.4
ROLLS-ROYCE	5.0	IMPERIAL BRANDS	-5.1

Sovereign Default Risk

DEVELOPED	CDS	DEVELOPING	CDS
UK	31.4	Brazil	215.7
US	26.9	Russia	157.5
France	31.9	China	79.1
Germany	17.4	South Korea	56.5
Japan	30.4	South Africa	195.1

Currencies / Commodities

PRICE	LAST	%1W	CMDTY	LAST	%1W
USD/GBP	1.30	0.04	OIL	49.5	-4.4
USD/EUR	1.10	0.80	GOLD	1227.9	-3.2
JPY/USD	112.66	-1.04	SILVER	16.3	-5.6
GBP/EUR	0.85	-0.74	COPPER	252.4	-3.2
JPY/GBP	6.90	-0.14	ALUMIN	1913.0	-2.6

Fixed Income

GOVT BOND	%YIELD	% 1W	1 W
UK 10-Yr	1.1	3.2	0.04
US 10-Yr	2.4	3.4	0.08
French 10-Yr	0.8	0.4	0.00
German 10-Yr	0.4	30.6	0.10
Japanese 10-Yr	0.0	16.7	0.00

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	2.2
Standard Variable	4.3
Nationwide Base Rate	2.25
Halifax Standard Variable	3.74

GLOBAL RESEARCH TEAM
Lothar Mentel – Chief Investment Officer Lothar.Mentel@tattonim.com
Jim Kean – Head of Investment Jim.kean@tattonim.com
Mark Murray – Fund Analyst mark.murray@tattonim.com
Sam Leary – Strategist Sam.leary@tattonim.com

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