The Tatton Weekly

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A gentle deceleration?

The week has been good US tech giants, not great for Chinese and Hong Kong stocks, and choppy for UK and European companies.

Donald Trump upped the ante in the trade war with China; China responded in a measured way that could be read as political nous, but is likely to read as economic weakness by its rival.

The economy's more forward-looking data continued to signal a gentle deceleration. Forward-looking components like PMIs slowed but aren't yet signalling weak growth, and the July US employment data showed a slightly less bullish condition than June's stonking report.

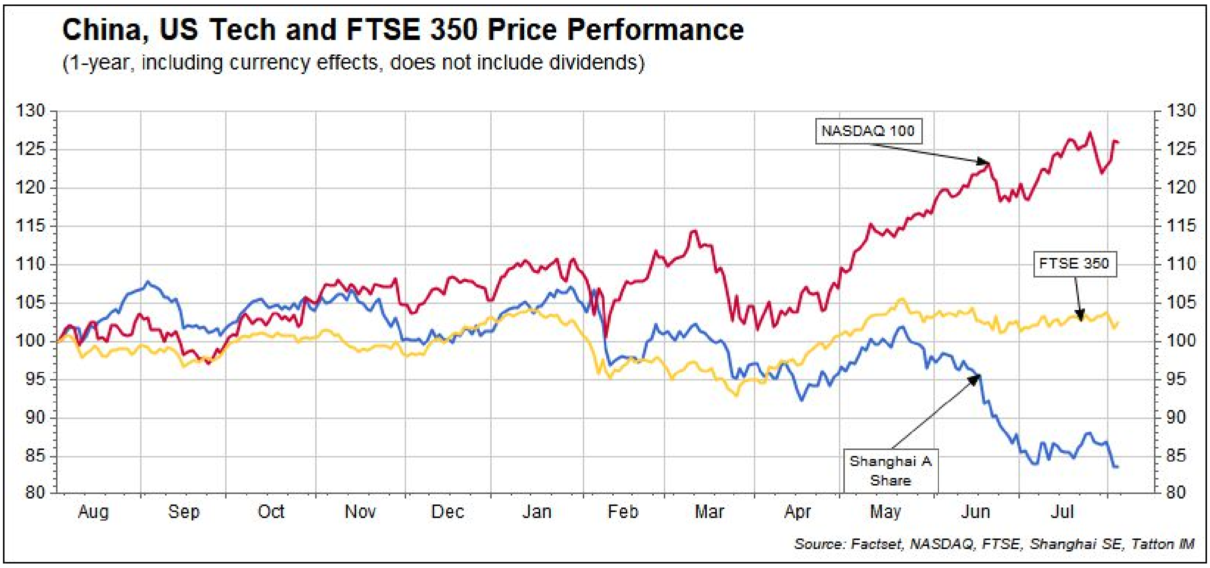
Meanwhile, the central banks of the US, UK, China and Japan were busy changing interest rates and sending signals.

Apple and Tesla hogged the limelight with Q2 results which were warmly received. Apple surprised in earnings per share (partly by reducing the number of shares…) but the main joy was in their guidance, increased beyond even the most optimistic analyst forecast. Margins were boosted by selling more of their higher priced items and, in particular, the previously not-so-popular iPhone X. At $207.05 per share, it became the first public company to reach the $1 trillion market capitalisation.

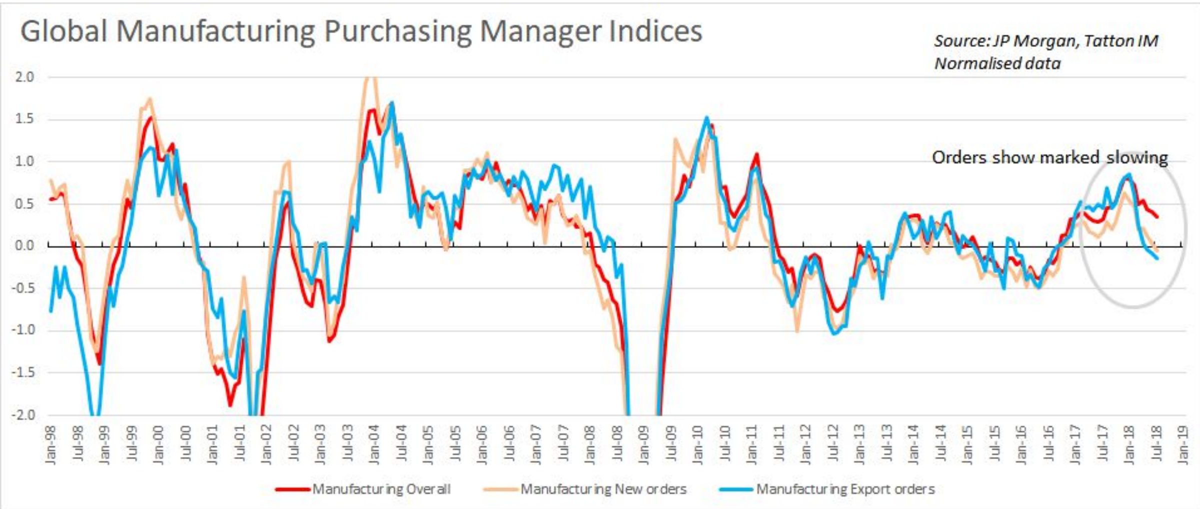
Apple is a different tech animal to Google (Alphabet), Amazon, and even Microsoft. With a P/E of 19x trailing earnings, it's a lot "cheaper" than their respective P/Es of 31.6, 186.3 and 28.9. (as of Friday 2:15pm BST). All of them produce earnings however, and all look cheap compared to Tesla, which lost $635mn in Q2 on an adjusted basis. But for the first time, they made an operating (gross) profit of $618mn and it's entirely possible that 2019 will be properly profitable. There has been an awful lot of speculation about Elon Musk's company running out of cash, but this report showed a Q2 with positive operating cashflow. The shorts got squeezed and Tesla is likely to close out the week as the best performer of the most-talked about US "tech" stocks.

There is an alternative view about why US tech stocks are doing better, and that's linked to the US-China trade war. We look at developments below. It's interesting to note that, since mid-May, the performances of the region's stock markets have looked like mirror images of each other.

The Chinese continue to be in a weak tactical position, even if the longer-term is much more in their favour. As such, the continued ratchetting up of pressure by the US is likely to continue, with the US looking for signs of a breaking point. While the US is not happy with a stronger dollar over any prolonged period, a near-term push up pressures the Chinese by encouraging capital outflow. That mirror-image may suggest this is what is happening. Even though an improvement in competitiveness should help Chinese businesses, the signs are that they're being starved of capital.



The start of the month always brings the flood of forward-looking data known the Purchasing Manager Indices. JP Morgan does a great job in amalgamating them to produce a global version. Interestingly, despite raising rates, the Bank of England used a version of the chart below to emphasise their dovish tone.



Reporting on the global PMIs, JP Morgan said that "At the sector level, two of the three output PMIs declined in July." They also added that weakness in EM Asia suggests activity won't accelerate as they had previously predicted, while there were large declines in other EM regions.

All in all, we've been of the view for some time that activity has been slowing, with the US being the outlier. The overall trajectory continues, although we remain reasonably sure that Europe will gain as the US slows in H2.

Lastly, bond yields rose slightly across the week, driven by the moves from the Bank of Japan partly (see below) and, probably more importantly, by yet another surprise increase in bond issuance by the US government. We're entering a very important phase for bonds during this half year. It is quite possible that central bank action (in running down their bond-buying operations) may stop the longer maturity yields from falling, even when economic data would suggest that outcome.

The BoE and the Housing Market

The Bank of England (BoE) raised interest rates to their highest level in nearly 10 years on Thursday. The bank's Monetary Policy Committee (MPC) voted unanimously to put rates up to 0.75%, saying that recent data had vindicated their view that the UK's slowdown in the first quarter of this year was only temporary.

The hike itself was not particularly big news. Markets were all but certain that the MPC would make a move at this meeting, given their previous comments. The MPC will have been well aware that a failure to raise rates would have delivered a shock to capital markets, and that's not their business. The point to watch was the bank's justification for the hike, and hints on the future direction of monetary policy.

While Governor Mark Carney pointed out in the press conference afterwards that "The strategy has worked" in terms of supporting jobs growth through low rates, the bank raised concerns about the global economic backdrop. In particular, they highlighted the global tightening of monetary conditions and the threat from Donald Trump's trade wars as potential roadblocks for global growth.

This is significant because, as we have written before, the UK is currently a 'taker' of global (and particularly European) growth, and not a provider. Since the Brexit referendum two years ago, Britain has effectively used the low value of the pound to ride on the coat-tails of the near-continent – as European demand and sterling-induced price competitiveness have bolstered exporters. If the BoE sees that growth slowing or being threatened by shocks from the Trump administration, things could be difficult for the UK.

Furthermore, while the bank expects tightness in the labour market to lead to wage inflation, recent low unemployment has not materially increased wages. Given these factors, markets took the overall picture from the BoE to be on the dovish side, and are now not pricing in any interest rate rises for a year.

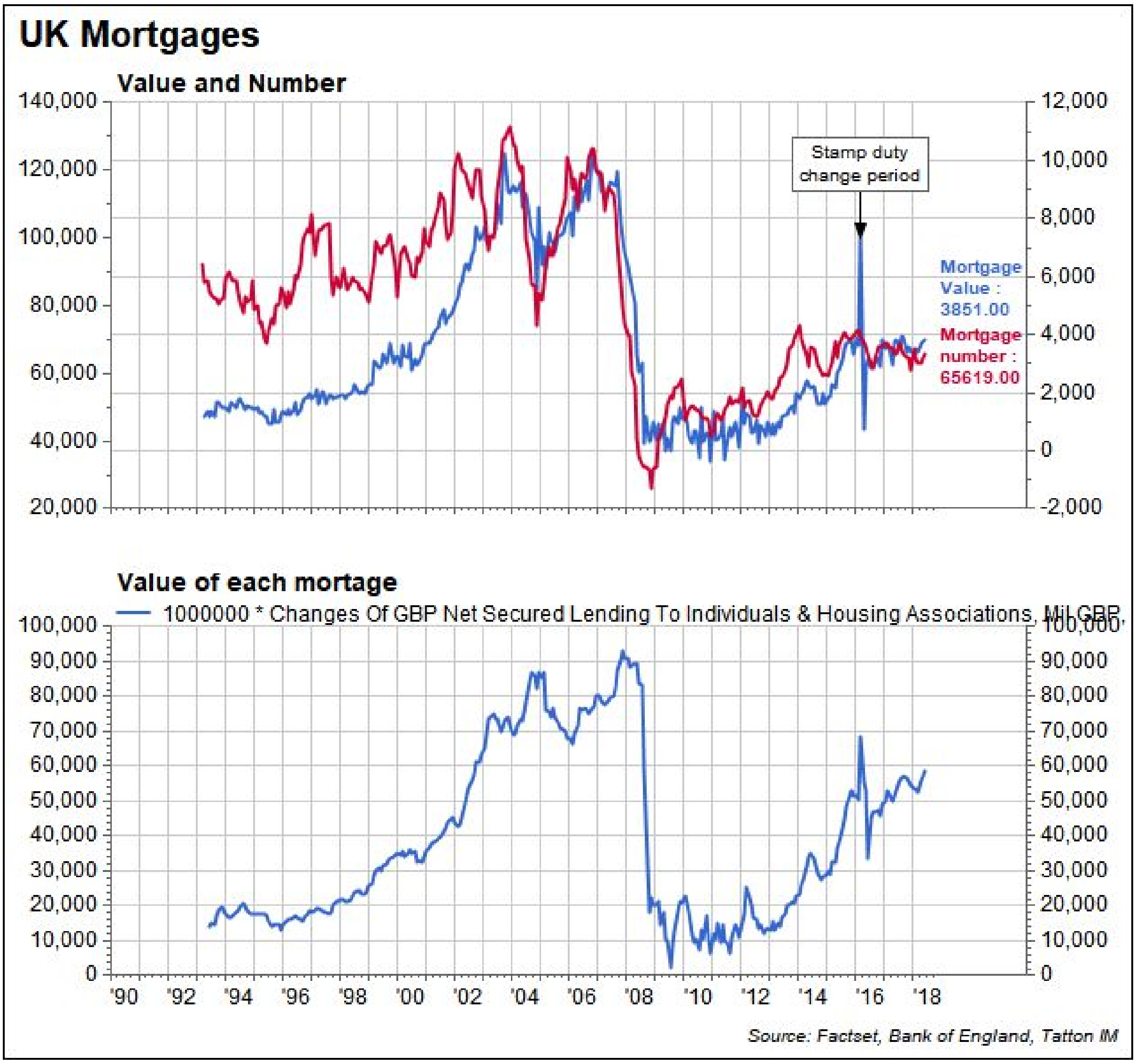
And Mark Carney backed that view up in the later interviews. "If you take what financial markets think which is about one interest rate increase a year (of a quarter of a percent per year) for the next few years, you more or less get inflation back to target over the right horizon," he said.

"It's actually a little too little but not much too little. If people want a rule of thumb for now I would use that with the caveat (that) it will depend on what happens with the Brexit discussions."

What does this mean for the housing market? In general, rising mortgage costs from higher rates tend to slow house prices by dampening demand. And given that the housing market has been sluggish enough as it is – constrained by Brexit uncertainty and bad affordability – one might worry that the BoE's latest move could be bad for UK homes.

But the central bank pointed out that house prices were still doing well nationally, and are only brought down by factors specific to London – which they say are now more in line with the rest of the UK after recent weakness.

We also don't think that rising rates will bring down house prices. Even though the central bank's base rate has been rising, a mixture of regulatory changes and low demand for mortgages has increased competition between mortgage providers – meaning that the overall price of mortgages has remained largely the same.



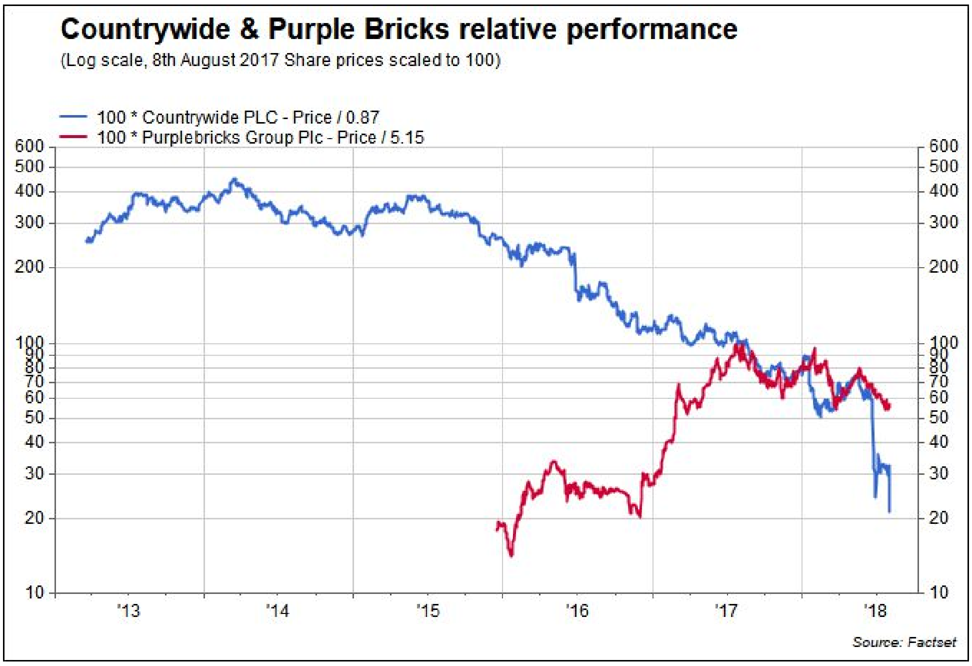
But that's not to say that we're positive on housing. Affordability is still a huge issue – particularly in London and among first time buyers (an increasing proportion of the population but a small and decreasing proportion of house buyers). Real (inflation-adjusted) wage growth remains stagnant (still around the same levels they were in 2005), meaning that homes are simply far too expensive for many buyers. In our view, the most likely direction for the housing market is nowhere.

Much depends on the value of sterling. The post-referendum, weak sterling has benefitted house prices, initially increasing foreign demand (as British homes become cheaper to overseas buyers) and, more generally, buoying exporters - particularly manufacturers. House prices in the regions have performed far better than London over the past two years. If sterling stays suppressed, this trend is likely to continue. But if it strengthens, that could be problematic.

Much of what happens to rates will likewise depend on sterling. The MPC will probably be pleased that their rate hike didn't pump up the pound too much (in fact sterling fell after Carney's press conference, supposedly because of Carney's no-deal Brexit risk comments), as its low value relative to the euro is one of the main factors supporting Britain's economy. If sterling does strengthen significantly over the coming months, we should certainly not expect a rate rise any time soon. Though given the ongoing soap opera in Westminster and its effect on Brexit perceptions in capital markets, that's not looking very likely.

Meanwhile, Countrywide Estate Agents' investors suffered an 80% fall in the value of their shares on Thursday. It is little comfort that mortgage demand is rising slightly and that there is a rise in the value of each mortgage. In May they failed to raise £250 million of capital via an 8% coupon bond issue, and delayed their results due last week. At Wednesday's market close, they traded at 50p. Yesterday (Thursday 2nd) Countrywide announced an emergency equity of £111 million at 10p a share, near wiping out the existing shareholders' capital.

The graph below shows the company relative to its oft discussed online competitor, Purple Bricks. The issues at Countrywide may be specific but, over the past year, estate agents of all forms have suffered from very low transaction levels. Maybe the dovishness of the Bank of England will offer some respite.



Central bank watch: US on hold, Japan tweaks and BoE hikes by 0.25%

Central banks are back in the news this week, despite not doing anything wildly unexpected, which led to a relatively muted market reaction. But they continue to hold importance for investors, so their actions and statements are closely followed.

We could sum up the week's moves as follows: The US remained on hold for now, but upgraded their characterisation of economic activity to "strong", signalling future rate increases. The Bank of Japan (BoJ) introduced a few tweaks to monetary policy, but announced it would essentially maintain "extremely low" interest rates for "an extended period of time", bucking the global trend of rolling back crisis-era stimulus policies. While the trusty old Bank of England (BoE) raised rates by 0.25%, as expected, to 0.75% but don't expect further increases in the near-term while Brexit uncertainties persist.

The key message from central banks appears to be one of increasing confidence in the outlook. But they remain squarely cautious when it comes to adjusting monetary policy. We expect policy makers to gradually normalise interest rates while gently reducing their balance sheets (holdings of debt purchased under QE) over time as economic conditions allow for such actions.

Firstly, the US. The Federal Reserve Open Market Committee (FOMC) unanimously left the target range for the funds rate unchanged at between 1.75-2%, as economists had widely expected. The biggest change to its post-meeting statement was the upgrading of the committee's assessment of the domestic economy, seen as a hawkish move by Fed watchers.

The FOMC said economic activity was "strong" (up from "solid" at the last statement), which echoes the 4.1% Q2 GDP print last Friday, triggering positive tweets from President Trump. The statement did not mention the uncertainty around trade tariffs or global risks, expecting a "sustained expansion of economic activity".

The FOMC retained their positivity from the June meeting. They noted that the labour market was "strong", with unemployment "staying low" and that capex (or business investment) has "grown strongly". This is likely an artefact of Trump's corporate tax cut, which has encouraged firms to invest in their own businesses and has positive longer-term impacts on the economy in terms of productivity and wage growth.

It also upgraded its description of inflation measures as remaining "near 2%" (~2% is the symmetric long-term Fed target), from the previous dovish "have moved close to 2%". This likely reflects the recent range-bound inflation readings. The FOMC raised its assessment of consumer spending from "picked up" to "grown strongly", while removing previous dovish caveats, such as "recent data suggests".

All-in-all, we don't think the FOMC's statement has any larger implications for nearer-term interest rate policy and investors are still pricing in an 85-90% chance of the next rate hike being in September. So, for the US, it seems the policy is steady as she goes.

Over in Japan, the BoJ did something different to other global central banks who are either tightening or beginning to tighten monetary policy. Instead, they are retaining the easy money policies enacted to bolster the economy.

It has been a volatile time for Japanese government bonds (JGBs) after the BoJ was forced to intervene in capping bond yields on the view it would show a willingness reign in ultra-loose policy. Instead, officials doubled-down by strengthening the framework for "continuous powerful monetary easing".

The BoJ introduced forward guidance that essentially places an upper limit on interest rate normalisation (the raising of long- and short-term rate targets) until the effects of the consumption tax hike scheduled for October 2019 fall away.

In respect of long-term interest rate operations, Kuroda-san (BoJ Governor) said the bank would tolerate a wider range of fluctuations (±20bp, vs. ±10bp currently), but stressed that this was to support the Japanese Government Bond (JGB) market functioning rather than to address financial institutions' earnings, as was widely reported before the meeting. Kuroda-san said this move would ensure the sustainability of the current monetary easing policy, and suggested that a further widening of its 'tolerable degree of fluctuation' is a remote possibility for now.

On inflation/wage stagnation, Kuroda-san noted the strong deflationary mindset held by both businesses and households. The BoJ concluded that it would not meet its 2% inflation target even in FY2019, meaning it needed to continue with existing monetary policy. But, just simply extending the current framework could erode confidence in monetary policy, so the BoJ chose a combination of forward guidance and initiatives to strengthen the sustainability of the easing framework.

Kuroda-san said this would "fully counter speculation among some market participants that the BoJ is heading towards an early exit or an increase in rates". Economists believe this statement will have bought the BoJ 6-9 months before market speculation starts all over again and JGBs begin testing the new upper limit of 20 basis points.

Back in the UK, the BoE voted unanimously 9-0 (far stronger than expected – 1 or 2 dissenting votes were forecast) to hike rates by a widely anticipated 0.25% to 0.75%, the highest level since 2009. It's interesting that dovish Jon Cunliffe didn't dissent, despite warning about economic sluggishness just the other week. The data must have been pretty convincing for him to join the hawks.

The BoE forecast economic growth at 1.75% a year over the forecast period, above the average 1.5% potential rate. The BoE said the near-term outlook “has evolved broadly in line” with their expectations, and recent data releases “confirm” that the drop in Q1 GDP was “temporary” and the economy was bouncing back in Q2.

The BoE also said that the labour market “had continued to tighten” and “unit labour cost growth has firmed” (i.e. wages are growing). Officials also “judge that the UK economy currently has a very limited degree of slack”. The BoE said that unemployment is “low” and is “likely to fall a little further”. The bank therefore, sees that “a small margin of excess demand emerges by late 2019 and builds thereafter, feeding through into higher growth in domestic costs than has been seen over recent years.”

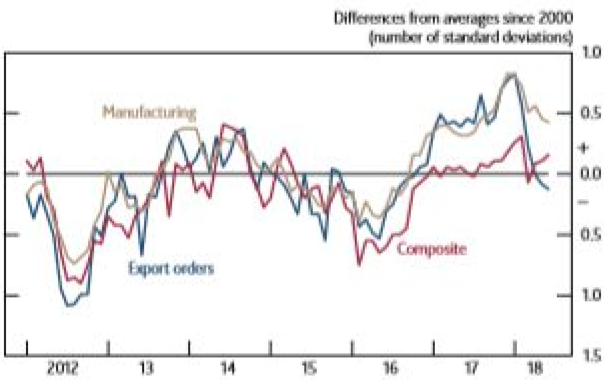
We think this rate increase should have limited impact on mortgage rates, given increased competition among banks keeping borrowing costs low. We note that, after the last rate hike, commercial rates increased by just 0.07% in some cases. The BoE continues to closely watch levels of borrowing – particularly unsecured credit and higher rates, which might be an attempt to reign in the risks arising from a rise in borrowing.

There has been much talk about the rise of credit card use that suggests increasing financial stress for borrowers, given the BoE’s concerns over consumer debt levels. We note that delinquency rates on UK credit cards at 30+ and 90+ days remain historically low, with no clear trend suggesting they will rise anytime soon – especially given the solid labour market. Perhaps, an argument could be made that higher credit card usage is in part due to the rise of loyalty/reward schemes and consumers merely temporarily shift spending (paid off at month end) onto credit rather than debit cards, leading to less of a debt problem than the BoE fears.

In market terms, the BoE action is no game changer for the Pound, given that Brexit is a larger driver for it. Obviously, any withdrawal deal could see a sharp relief rally in GBP and a fall should a cliff edge no deal scenario materialise.

Some economists have cast doubt on the BoEs forecasts due to an apparent downplaying of Brexit uncertainties (there were just 13 mentions in the inflation report). The muted market reaction seems investors believe the jury is still out. Granted, the BoE did retain their “limited and gradual” language when it comes to future hikes. Yields on longer-maturity gilts fell on the rate announcement, along with break-even rates, possibly hinting at a ‘policy mistake’ that some traders had warned about.

Chart 1.1 Global export orders growth slowed sharply
Global purchasing managers' indices[a]



Sources: JPMorgan and Markit Economics.

For now, we believe the BoE is largely done with rate rises – at least until the headwinds fade. The market puts the equilibrium rate at 0.75-1%. Those headwinds stem from more protectionist trade policies, noting that global export order growth has slowed sharply.

We think BoE governor Mark Carney summed up monetary global policy quite nicely: “policy needs to walk, not run, [or] to stand still”. We interpret that as suggesting central banks all over the world are unlikely to pull surprise rate increases on the market and that we should expect, barring external shocks, only a gradual and limited path of hikes in the future..

War on China!

The US’s trade war on China cranked up another notch this week. In typical tit-for-tat fashion, the Trump administration proposed a 25% tariff on $200bn of Chinese goods on Wednesday. The increase from the previous 10% tariff is, according to Trade Representative Robert Lighthizer, because of China’s retaliatory actions and refusals to meet US demands.

Predictably, Chinese officials were resolute in their response. “US pressure and blackmail won’t have an effect. If the United States takes further escalatory steps, China will inevitably take countermeasures” according to Geng Shuang, spokesman for the Chinese Foreign ministry. And so, the trade war rages on.

According to China scholar Derek Scissors, a 25% tariff constitutes “a more meaningful threat” than the original 10%, which could have been offset by government subsidies or a weakened Yuan. If the larger levy is applied, it will be far more likely to shut Chinese goods out of the US market and shift American supply chains to other countries. Sensing weakness in the Chinese economy, Trump is escalating his attacks.

US businesses are understandably scared of the effect this could have on them – dampening a trade relationship which is the largest in the world between any two nations. There is a consensus that China’s trade practices need to be reformed or curtailed, but prominent business groups have condemned Trump’s tariffs as the wrong way to go. According to head of international affairs at the US Chamber of Commerce Myron Brilliant “Each tariff escalation leads to further retaliatory action from China – ultimately inflicting even more harm on American businesses, workers, farmers, ranchers, and consumers.”

But getting China to ‘play fair’ isn’t the only goal. There is a broad policy division in the Trump administration: those who fear China’s trade practices and those who fear China. There are the reformists who favour short-term trade-based goals such as improving US access to Chinese markets, such as Treasury Secretary Steve Mnuchin and Commerce Secretary Wilbur Ross. And then there are the Absolutists.

This camp – represented by Lighthizer and presidential adviser Peter Navarro – want to curtail not just China’s unfair trade practices but China altogether. Back in June, Lighthizer defended Trump’s tariffs by saying that the US can’t afford to find itself technologically second to China in a few decades, and remember Navarro authored the polemic “Death by China” years before joining the White House.

That isolating China is the goal can be seen in Trump’s relative softening on trade disputes with other allies such as the EU, Japan and Mexico. And it encompasses more than just trade policy. To much less fanfare then the tariffs, this week US Congress passed a defence spending bill that increases American military presence in Asia. It increases national security scrutiny on Chinese investments into US technology firms and strengthens military ties with regional powers to address China’s “aggressive” military behaviour. All of this points a bigger picture that’s more about protecting the US’ superpower status than it is ‘levelling the playing field’ in trade.

As a broader policy, this isn't new to the Trump era. Many interpreted Obama's landmark 'Pivot to Asia' foreign policy as a method to contain China. Certainly, that's how the government in Beijing saw it. But the explicit use of trade as a weapon in the power play is unique to Trump.

For the hardliners in this administration, containing China's economic reach is as important as containing their military reach. And that reach grows further by the day. Beijing's 2013 'Belt and Road' initiative has been quietly stretching out across the globe for years now, resulting in bilateral trade agreements, Chinese funded infrastructure and a sea of Chinese loans from Eurasia to Africa.

The initiative's overarching goals are unclear, but it has boosted China's economic and political clout massively, particularly among developing nations that feel side-lined by the western-led international institutions. Just this week, the Nigerian central bank began selling Yuan to local traders, and there is growing pressure among African nations (where Chinese influence is strong) to adopt it as a reserve currency.

Using large tariffs and other measures (most notably restricting Chinese investment) might be seen by those in Washington as a way of reshaping global trade away from China and ensuring that the US remains the dominant economic player in the coming century. A grand plan to halt China's ascent may sound far-fetched, but it's a feeling that many in Washington have.

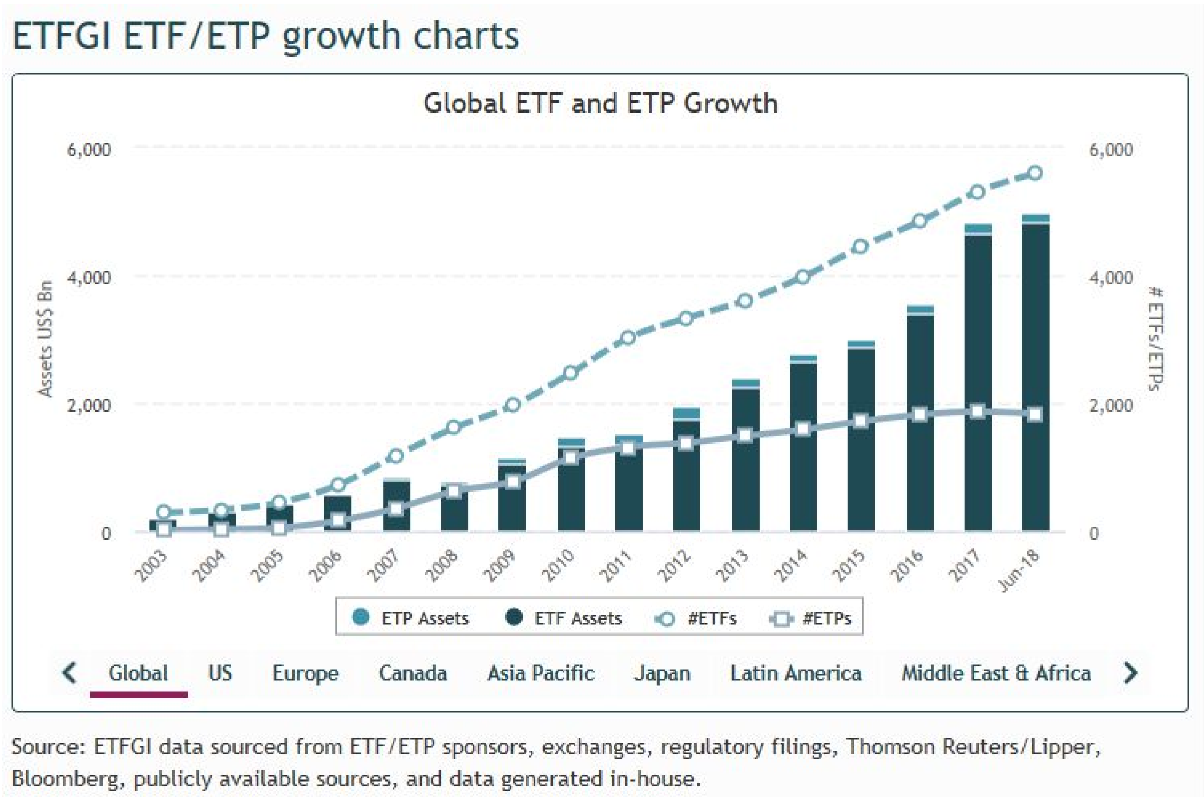
Of course, one of the hallmarks of the Trump administration has been the inconsistency and apparent lack of an overall plan. The approach to China is no different, and while there are hardliners there are calmer voices as well. What does this all mean for now? For starters, those hoping that rational heads will prevail, trade tensions will ease and the barriers will come down between the world's two largest economies will likely be disappointed. The underlying geopolitical story means that more than just trade is at stake for both. But it might also mean that we'll see more trade détente towards Trump's other targets; he can't afford to fight a war on multiple fronts.

As for China, more trade disruption could threaten to turn their managed economic slowdown into an unmanaged meltdown. But over the long term, current tensions could well help them into the 'Chinese century'. There's a popular myth that the Chinese word for "crisis" is the same as the word for "opportunity". In this case, it might hold true.

Fidelity launch zero AMC funds – but they're not free

In a move that created ripples across the asset management industry, Fidelity announced on Wednesday that it will introduce two 0% AMC passive funds, one for US equities and one for global ex US equities. The share prices of major competitors Blackrock, Invesco and SocGen (Lyxor) fell 4.6%, 4.3% and 2.3% respectively on the back of the news. Offering funds for free is a new low in the race to the bottom. But as Facebook users now know, free to use does not mean that there is no cost. This is the end of the race to the bottom, but how will Fidelity make money?

Over recent years, news of the rapid rise of ETFs and passive investment has never been far from the headlines. Since the turn of the century, passive investment via ETFs has grown at a phenomenal pace, with assets held in ETFs and ETPs now standing at almost $5trn.

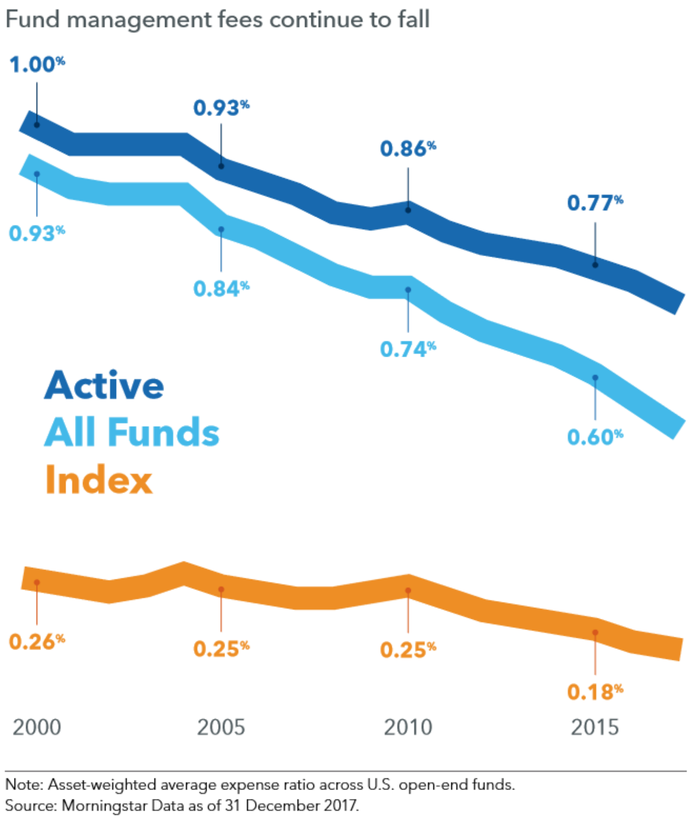


Source: ETFGI

This represents a compound annual growth rate of roughly 25%. For comparison, global equity markets have grown at just 2.6% CAGR over the same period (as represented by MSCI ACWI 01/01/2000 – 01/08/2018).

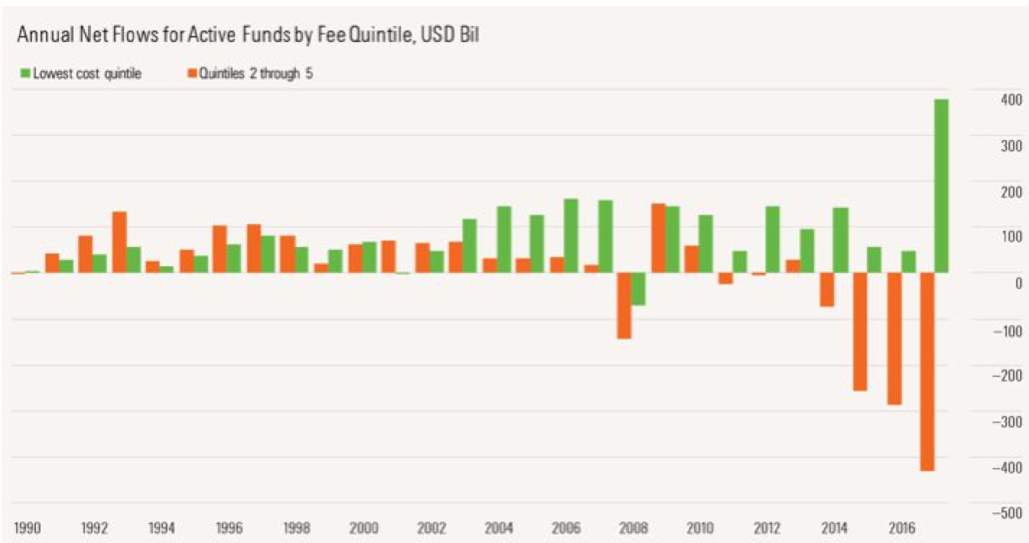
Part of the reason for their popularity has been due to the difficulty active managers have had outperforming in a QE driven world. Distorted markets with low price dispersion has meant opportunities to outperform have been few and far between. Another reason has been down to cost. The operating costs of running passive funds is far lower than that of active funds. Without an expensive fund manager to pay, index fund providers can lower their management fees but still generate similar margins to those of active asset managers. Given the choice of two funds that perform very similarly but one has lower fees, investors have been opting for the latter.

As asset managers have seen the appetite for ETFs and passive funds continue to grow, competition to capture a slice of the pie has been rife. New ETF providers have been springing up on a regular basis, with BMO and JPMorgan being amongst the latest to offer ETFs in Europe. Each has a subtly different range of indices tracked, educational materials offered and flashy marketing in order to present a competitive edge. However, the most effective weapon in the arsenal has been to reduce fees. This has not only driven down the cost of passive investment, but forced active managers to follow suit to remain competitive.



Source: iShares

The strategy works. Investors have been migrating from high cost funds to cheaper alternatives in their droves. Since 2014, the only active funds to receive positive inflows have been those in the cheapest quintile.



Source: Morningstar

Once fees reached a level that left providers with very little room to reduce any further, the industry began to believe the race was over. However, innovation is abundant in the passive world and firms found a way to go deeper by creating their own indices. By avoiding paying large licencing fees to index providers such as S&P, MSCI and FTSE, passive managers were able to cut fees further without eroding their margins. Lyxor, for example, launched UK and US equity ETFs in March this year, both with ongoing charges figures of just 0.04%. They were able to do this, in part, because they are based upon Morningstar's open indices, which are free to use.

In launching funds with a 0% AMC, Fidelity have gone one step further as they attempt to play catch-up with the likes of iShares and Vanguard. At first glance, this appears as though it's a great offer. However, as with all these things, the devil is in the detail.

Firstly, these new funds are only available to US retail investors on Fidelity's own brokerage platform. The funds will not be available through advisers or to institutional investors. Incidentally, this same platform charges almost $50 a trade to purchase any non-Fidelity funds. Fidelity may be positioning these products as loss leaders, attracting investors to their platform with the intention of steering them towards more profitable businesses such as financial advice or higher fee active funds in future.

Secondly, the funds will be based on Fidelity's own version of US and international equity indices to reduce licencing costs, as described above. Although the indices have been designed to imitate those which are better known, the actual performance may slightly differ.

Finally, there's the issue of stock lending revenues. Many asset managers lend the equities they keep on behalf of investors to short sellers, charging a fee in the process. Blackrock returns 62.5% of this revenue to the funds that lent them, adding 1-9bps to annual returns.

In the case of the new Fidelity funds, it's unclear who benefits from securities lending, who's at risk and how aggressive the lending practices will be. There could be a mismatch between who bears the risk and who benefits. Blackrock's lending practices are quite conservative; over-collateralised to 110% and only a small proportion of the fund is on loan at any given time. More fees could be generated if Blackrock were willing to lower the collateral requirements, accept more risky counterparties or lend more, but the risk to the end investor would increase as a result.

The race to the bottom has clearly been won by Fidelity, but whether this particular case is truly beneficial for investors is uncertain. As all of human history has taught us, there's no such things as a free lunch. However, putting cynicism to one side for a moment, if the changes introduced puts pressure on other fund providers to reduce their fees, investors as a whole will benefit as the total cost of investment falls for all.

Tatton Investment Management

3 August 2018

Global Equity Markets

MARKET	CLOSE	% 1 WEEK	1 W	TECHNICAL
FTSE 100	7659.2	-0.5	-42.2	→
FTSE 250	20659.7	-1.0	-209.3	→
FTSE AS	4206.6	-0.6	-26.0	→
FTSE Small	5879.8	-0.4	-24.0	→
CAC	5479.8	-0.6	-32.0	→
DAX	12615.9	-1.9	-244.5	→
Dow	25381.4	-0.3	-69.7	→
S&P 500	2835.4	0.6	16.6	→
Nasdaq	7376.1	1.1	79.4	→
Nikkei	22525.2	-0.8	-187.6	→
MSCI World	2147.6	-0.4	-8.5	→
MSCI EM	1067.4	-2.3	-24.9	→

Global Equity Market - Valuations

MARKET	DIV YLD %	LTM PE	NTM PE	10Y AVG
FTSE 100	4.1	13.2	12.8	19.5
FTSE 250	3.1	17.6	13.6	23.6
FTSE AS	3.9	13.9	12.8	19.8
FTSE Small	3.7	130.5	-	-
CAC	3.1	16.9	13.4	22.9
DAX	3.1	14	11.9	21.4
Dow	2.1	18.2	15	25.5
S&P 500	1.8	20.7	15.9	29.7
Nasdaq	1	26	18.7	47.7
Nikkei	1.8	16.7	14.3	32
MSCI World	2.3	18.3	14.8	25.9
MSCI EM	2.7	13.3	10.8	19.1

Top 5 Gainers / Top 5 Losers

COMPANY	%	COMPANY	%
ROLLS-ROYCE	10.5	JUST EAT	-7.1
MONDI	6.8	CENTRICA	-5.8
SMURFIT KAPPA	4.7	MICRO FOCUS INTE	-5.8
ADMIRAL GROUP	3.8	PEARSON	-5.2
GVC HOLDINGS	3.2	RENTOKIL INITIAL	-5.0

Currencies / Commodities

PRICE	LAST	%1W	CMDTY	LAST	%1W
USD/GBP	1.30	-0.66	OIL	73.5	-1.1
USD/EUR	1.16	-0.57	GOLD	1218.7	-0.5
JPY/USD	111.15	-0.09	SILVER	15.5	0.1
GBP/EUR	0.89	-0.13	COPPER	275.9	-1.5
CNY/USD	6.83	-0.17	ALUMIN	2036.0	-1.5

Fixed Income

GOVT BOND	%YIELD	% 1W	1 W YIELD
UK 10-Yr	1.332	4.1	0.05
US 10-Yr	2.953	-0.1	0.00
French 10-Yr	0.741	5.4	0.04
German 10-Yr	0.411	2.0	0.01
Japanese 10-Yr	0.110	5.8	0.01

UK Mortgage Rates

MORTGAGE BENCHMARK RATES	RATE %
Base Rate Tracker	2.34
2-yr Fixed Rate	1.73
3-yr Fixed Rate	1.80
5-yr Fixed Rate	2.03
Standard Variable	4.06
10-yr Fixed Rate	2.74

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

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/FactSet 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.

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