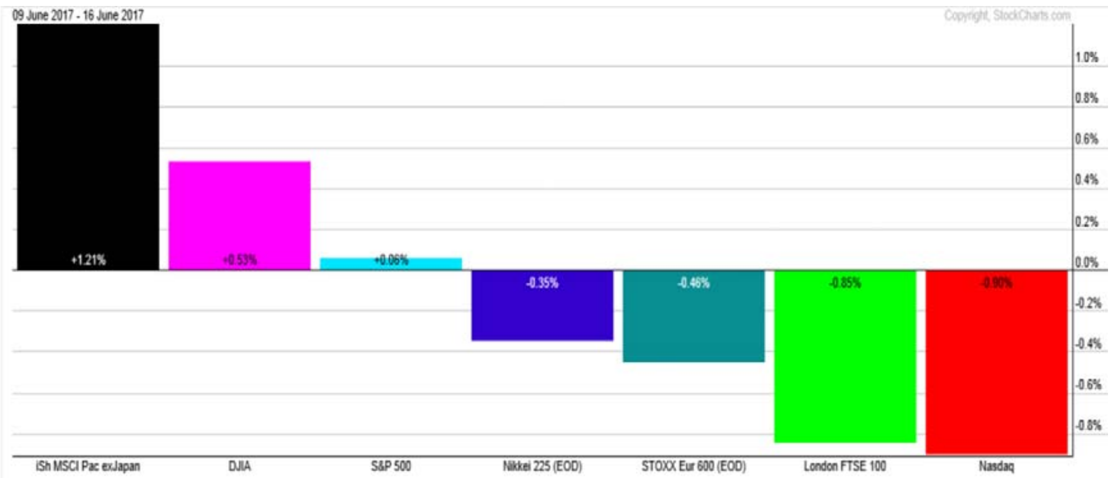
Investment Markets overview

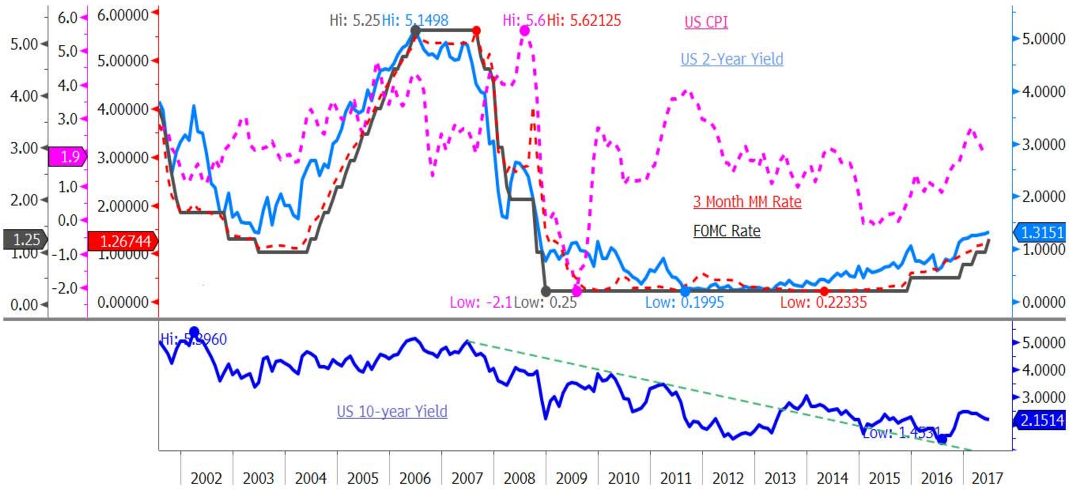
Week Ending 16 June 2017

Central Banks**.....** Also known as the reserve bank or monetary authority is an institution that manages a state's currency, money supply, and interest rates, albeit this column regularly reminds ***factually*** that it's the market that sets interest rates with the highly-paid, ineffectual CBs, ***following*** the market. They usually oversee the commercial banking system of their respective countries, with supervisory powers *intended* to prevent bank runs and to reduce the risk that commercial banks and other financial institutions engage in reckless or fraudulent behaviour. Aside of the ***perception*** that they manage interest rates and inflation targets, they set the reserve requirements of the banking sector, with the Central Bank supposedly acting as the lender of last resort to the banking sector during times of bank insolvency or financial crisis, whereas in reality a large part of the blame for most financial crisis', such as the 2007 melt-down, is caused by the lax reserve requirements and inevitably it's the tax-payer who picks up the tab for the bank failures, not the Central Bank. In most developed nations they are seen to be independent from political interference, although during periods of stress the word "*independent*" can be seen to be a stretch.

There were no less that three Central Bank monetary policy meetings this week, the Federal Reserve Bank, the Bank of England and the Bank of Japan. For more on these and the other main economic and market data of the week, supported with interesting charts, please continue, with a reminder for non-subscribers of the final limited-time offer "*at your discretion*":



US economic data included disappointing retail sales for May, which contracted by -0.3% against April's +0.4%, whilst housing starts for the same month contracted by -5.5% versus the +4.1% expected and followed April's -2.8%. There were three sentiment readings, small business optimism was unchanged at 104.5, June's provisional consumer sentiment survey from the University of Michigan was reported at 94.5 against the consensus expectation of 97 whilst the house-builders sentiment reading for June was stated at 67 versus the 70 forecast. May CPI inflation was below the 0% expected, actually de-flating by -0.1%, whilst the FOMC increased its target rate by the widely anticipated 0.25% to 1.25%. There is more on this towards the end of the overview but it's worth a reminder of the FED "*re-acting*" to the market rate, particularly the *3-month money-market* and *2-year Treasury bond yield*, noting their respective **475% and 560%** jump from their lows:



The Dow rose by 0.5% whilst the SPX was unchanged and the NASDAQ fell by 0.9%.

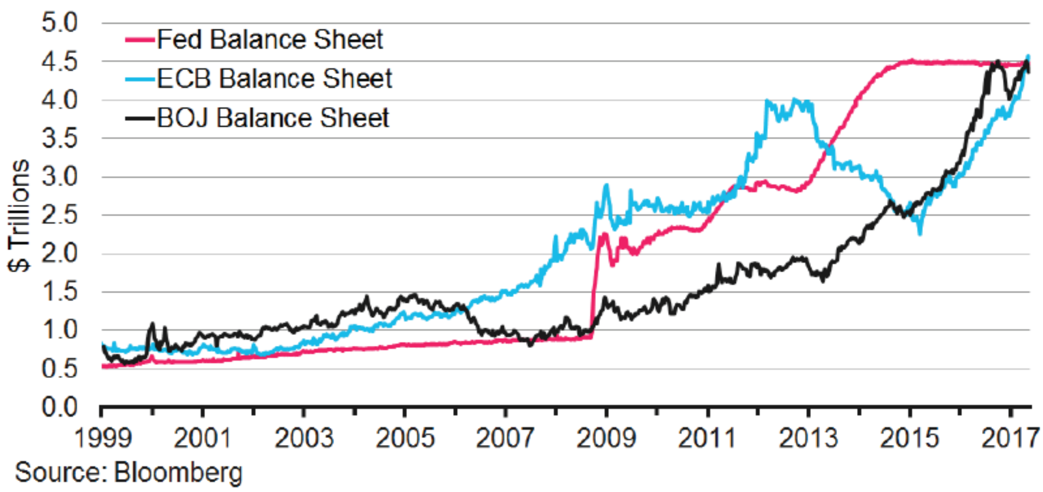
Euro-Zone CPI for May also de-flated, at -0.1% following April's 0.4%, whilst the Q117 employment rate for the region was unchanged at 0.4%. The ZEW economic survey ticked higher in June to 37.7 following May's 35.1, whilst the trade surplus narrowed in April from €22.2BN to €19.6BN. For the wider EU27, new car registrations grew in May by 7.6% following April's -6.6% contraction.

UK unemployment over the 3-months to May fell to 4.6%, a 42-year low, whilst average wages were further squeezed, rising by 1.7% annualised, the slowest pace in over two years. Retail sales plunged by 1.6% in May, against the -1% expected and following the 2.2% recorded for April. The Bank of England MPC left rates on hold, at 0.25%, despite 3 members of the 8-person committee voting to hike and CPI inflation far exceeding the 2% annualised target, at 2.9%. A monthly data chart zooms in from 2011, where you will note the ***108% jump in the 2-year yield*** and the ***59% rise in the 10-year Gilt***

Yield, (lower panel line) which is the effective UK mortgage benchmark, both warning that a base-rate rise will surely follow soon:

The FTSE 100 fell by 0.9% with the French CAC and the German DAX lower by a respective -0.7% and -0.5%.

Out East, Japan's economic data was light but did include wholesale inflation for May, PPI, which fell to 0% following the 0.2%, reported for April. Tokyo condo sales contracted by -13.3% annualised in May, but this did follow a 38.6% advance in April. As expected the Bank of Japan left its balance rate unchanged, at -0.1% and its 10-year sovereign debt yield target at 0%, continuing to manipulate, *Oops that should read manage*, its currency and interest rate. Regardless of its success or otherwise, the B of J and the ECB balance sheet(s) now exceed that of the Fed and as can be seen below, they total a combined $US13.7 Trillion, or about the same level as the total American consumer debt:

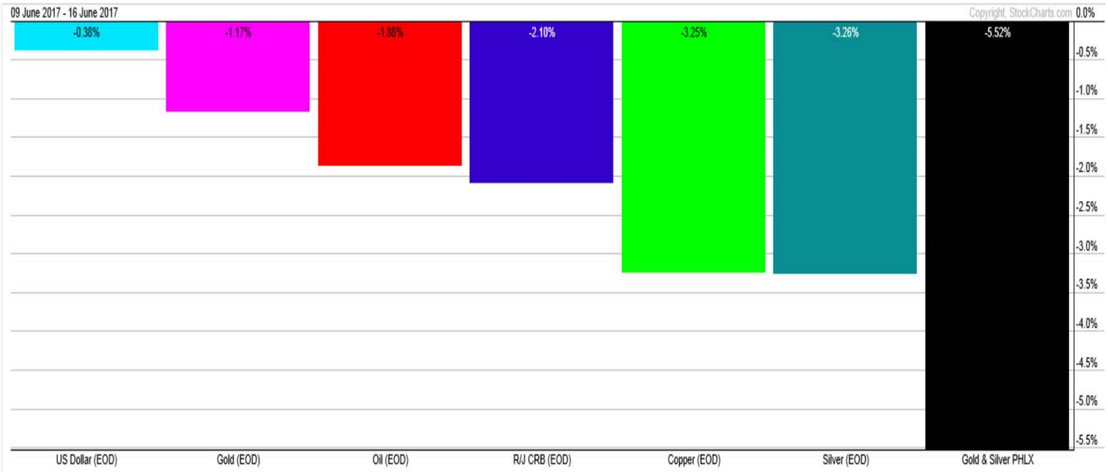


Elsewhere, China retail sales held steady in May, at 10.7% annualised, whilst OZ unemployment fell to 5.5% in May from April's 5.7% rate.

The Nikkei eased by 0.4%, whilst the Hang Seng fell by 1.6%.

The $US index fell by 0.4% to 96.9, with other losers including the Russian Ruble and the South Korean Won, lower by 1.3% and 1%, whilst risers included the $Canadian and the $OZ, higher by a respective 2% and 1.25%. Sovereign bond yields were either unchanged or lower as Japan's JGB 10-year yield was steady at 0.04%, the UK 10 year yield eased by 2bps, at 1.02% whilst the German yield was also unchanged, at 0.27%. Spain's 10-year yield fell by 11bps, at 1.44% with Italy's lower by 7bps at 1.98%, as the Irish 10-year yield eased by 0.6bps to 0.67%. Portugal's 10-year gave up 11bps at 2.88% whilst the Greek yield fell by 37bps to 5.55%. US 5 and 10-year yields also fell, with the 5 lower by 0.9%, at 1.75% and the ten falling by 1.9% to 2.16%.

Commodities were lower across the board as $Oil fell by 1.9% to $45 a barrel, the CRB slipped by 2.1% as Copper fell by 3.3%. Precious metals were also lower, as $Gold fell by 1.2% to $1256, $Silver was lower by 3.3%, at $16.7, whilst in the paper-market, the XAU gave up 5.5%:



Economic data due for release next week includes more on housing for the UK and the US plus PMI updates for the US, the Euro-Zone and for Japan. Japan also provides the latest trade numbers, whilst the E-Z updates on money-supply and CPI inflation. In what is a light data week, the highlight will be the release of the public finances for the UK.

Returning to the Central Banks, they collectively make a big deal out of watching "*CPI Inflation*," justifying their ***re-active*** moves to the base-rate on CPI's rise or fall and despite the fact that this basket of goods and/or services bears little relation to the many other gauges of inflation, such as wages, asset-prices and currency debasement that all have a far greater effect on society. As shown and stated above, the FOMC continued their baby-step increase in rates this week, citing the recent fall in CPI as transitory, referring to a drop in the cost of cell-phone plans, whilst omitting to comment on falling food and energy prices, of far more importance, which aren't included within their calculations for "***core***" inflation, as they consider them too volatile. Furthermore, one glance at the commodities sector, which includes most of the necessities of life such as Oil, the metals, livestock and agricultural goods, shows that the CRB index, a basket of these goods, fell this week to the lowest since the Spring of 2016 and has actually been falling since 2008. Commodity prices are a great guide to the strength, or otherwise, of the global economy, which helps to explain the lacklustre GDP figures that belie any talk of gathering economic growth, aided and abetted by massive amounts of global debt, including that held within the balance sheets of the Central Banks.

"***The Blind Leading the Blind Comes to Mind***"

No.	Name	Close	**Price% between 31/12/16 and 0 trading days ago**	Price% between 1 year and 0 trading days ago	Price% between 3 years and 0 trading days ago	Price% between 5 years and 0 trading days ago	Price% between 3/1/00 and 0 trading days ago
1	I - IMA Sector China/Greater China	544.28	17.2	46.3	62.1	109.5	677.5
2	I - Hang Seng (Hong Kong)	25,626.5	16.5	27.9	10.0	33.2	47.5
3	I - IMA Sector Asia Pacific Excluding Japan	1,793.32	15.1	39.7	50.0	78.1	291.5
4	I - NASDAQ Composite	6,151.76	14.3	27.0	42.4	114.1	48.9
5	I - IMA Sector Europe Excluding UK	1,325.94	14.1	37.8	41.4	118.2	161.9
6	I - IMA Sector Global Emerging Markets	1,729.05	13.5	39.3	36.9	50.5	287.1
7	I - DAX Xetra (Germany)	12,752.7	11.1	33.5	29.0	104.7	82.4
8	I - FTSE 350 Lower Yield	4,035.1	8.8	25.2	22.5	60.4	10.3
9	I - S&P 500	2,433.15	8.7	17.1	25.6	81.2	63.8
10	I - CAC 40 (Paris)	5,263.31	8.2	26.7	16.7	70.5	-11.1
11	I - Dow Jones Industrial Average	21,384.25	8.2	20.6	27.4	67.5	85.4
12	I - FTSE 100	7,463.54	4.5	25.4	10.5	36.2	7.7
13	I - Nikkei 225	19,943.25	4.3	29.2	33.5	132.7	5.3
14	I - FTSE 350 Higher Yield	3,851.18	2.6	25.1	4.6	27.9	30.2
15	I - IMA Sector Money Market	254	0.1	0.2	0.8	1.4	36.1

NB the IMA indices are £GBP adjusted

No.	Table of Indiices	Close	Price% 1 week ago	Price% 1 month ago	**Price% between 31/12/16 and 1 day ago**
1	I - S&P CNX Nifty	9,578.05	-0.93	0.69	17.0
2	I - FTSE Asia Pacific ex Japan	521.44	-0.45	0.94	16.2
3	I - FTSE Europe ex UK	258.34	-0.52	-0.82	14.2
4	iShare DJ Euro STOXX 50	£31.83½	-1.47	-0.24	11.4
5	I - Dow Jones World Index	360.34	-0.21	0.67	10.3
6	I - S&P 500	2,433.15	0.06	1.35	8.6
7	Gold (LBM) $	$1,255.40	-0.94	1.46	8.3
8	I - FTSE 250	19,816.4	0.23	-0.30	8.2
9	I - FTSE All-Share	4,085.04	-0.65	-0.68	4.7
10	I - Tokyo Stock Price Index	1,596.04	0.28	0.75	4.6
11	I - Nikkei 225	19,943.25	-0.35	0.12	3.8
12	Silver (LBM) $	$16.69¾	-3.09	-0.34	3.5
13	West Texas Intermediate Spot $	$44.62	-2.87	-7.31	-17.7