



Investment Markets overview

Week Ending 17th November 2017

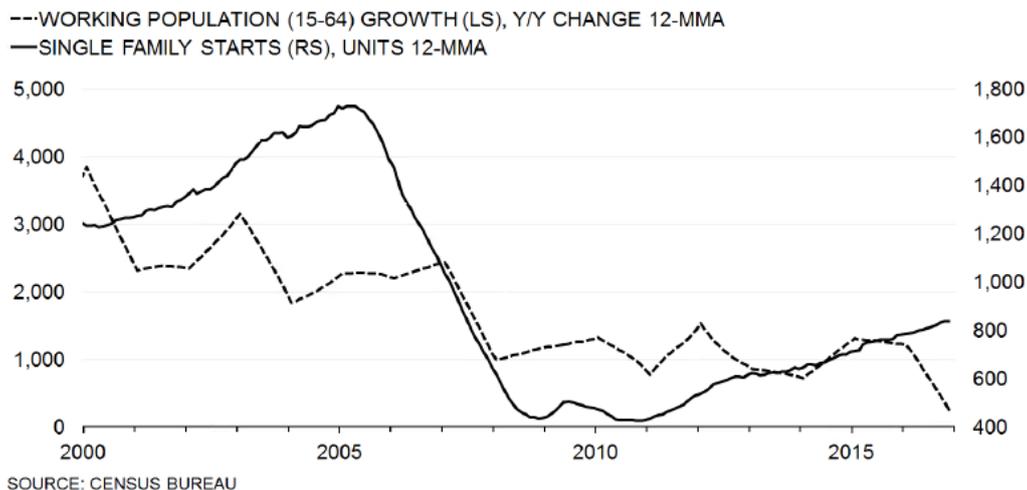
Auction..... is defined as a public sale in which goods or property are sold to the highest bidder and there were two of interest recently which are telling of the current investment environment. First up is this week's record **\$US450.3m** winning bid for Leonardo da Vinci's, "*Christ as Salvator Mund*" (Saviour of the World,) which had been estimated at \$100m for the Christie's auction in New York. To place this in context, the previous record for an "old master," or any painting come to that, was \$US179.4m for a Picasso in May 2015 and before that \$76.5m for a Rubens back in 2002. In what has been a 15-year period of global dis-inflation morphing towards outright de-flation, that's a 134.5% price uplift over a 13 year span, 2002-2015, followed by a **151% surge in just 29 months!** Meanwhile, at a foreclosure auction in New York, a 6249 sq ft penthouse at Manhattan's One57, tagged as Billionaires' Row Tower, sold for \$US36m, **29% less** than the \$50.9m paid in 2014. One57 still holds the record for the most-expensive residential sale in New York, at \$100.5 million, completed in 2014. There are two observations to be made on these auctions, there are only 15 works attributed to da Vinci whereas NY has seen a high-end construction boom. Perhaps more telling is the Socionomic observation that both records were achieved at approaching collective social optimism highs, as measured by the S&P 500 stock-index.

Stocks and bonds saw a reverse of last week, commencing with rising yields and falling stocks, only to reverse mid-week, albeit that aside of the Nasdaq and Bitcoin (more later,) they failed to regain the November 7th highs. Read on for comment on the other main market data of this week, including supporting interesting charts:

No.	Table of Indiices	Close	Price% 1 week ago	Price% 1 month ago	Price% between 31/12/16 and 1 day ago
1	I - Hang Seng (Hong Kong)	29,199	▲ 0.27	▲ 1.75	▲ 31.9
2	I - FTSE Asia Pacific ex Japan	574.56	▼ -0.24	▲ 1.14	▲ 27.3
3	I - NASDAQ Composite	6,782.79	▲ 0.47	▲ 2.40	▲ 26.2
4	I - FTSE Europe ex UK	271.95	▼ -0.11	▼ -1.31	▲ 21.6
5	I - Dow Jones Industrial Average	23,358.25	▼ -0.27	▲ 1.57	▲ 18.7
6	I - Nikkei 225	22,396.75	▼ -1.26	▲ 4.97	▲ 16.9
7	I - S&P 500	2,578.85	▼ -0.13	▲ 0.76	▲ 15.5
8	I - DAX Xetra (Germany)	12,993.7	▼ -1.02	▼ -0.01	▲ 13.6
9	I - CAC 40 (Paris)	5,319.17	▼ -1.14	▼ -0.79	▲ 9.8
10	I - FTSE 100	7,380.68	▼ -0.70	▼ -1.80	▲ 3.4

US economic data included the October small business optimism reading, which improved to 103.8 following September's 103, whilst October CPI inflation slowed to 0.1% from 0.5% on a month-on-month basis and at 2% from 2.2% annualised. October advance retail sales were above the expected 0%, at 0.2%, but saw a fair drop from September's 1.9%, whilst the November NAHB house-builder sentiment index exceeded the 67 forecast, at 70, an improvement on October's 68. Staying with housing, October starts surged by 13.7% or 1.29m units versus the consensus expectation of 5.6%, highlighting once again the "[Myth of the Consensus](#)." To be fair in respect of housing starts, the recent hurricane activity has distorted the shorter term figures although the following chart, courtesy of Bloomberg and the Census Bureau, shows a divergence between single family home starts and the working age population trend and starkly compares now versus pre-financial crisis:

WORKING POPULATION GROWTH, SINGLE FAMILY STARTS



The Dow fell by 0.3%, whilst the SPX and the NASDAQ diverged, with the former easing by -0.13% whilst the latter added 0.5%.

Euro-Zone provisional Q317 GDP came in at the expected unchanged 0.6% and 2.5% annualised, whilst the November ZEW economic survey was upbeat on Germany, France and Italy but downbeat for the UK. CPI inflation for the region slowed to 0.1% in October from September's 0.4% but remained at 1.4% annualised, whilst new car registrations for the same month were reported at 5.9% annualised following September's -2%, albeit that they were 3% lower on a month-on-month basis.

UK CPI inflation also eased to 0.1% from 0.3% in October, whilst remaining unchanged on an annualised basis, at 2.8%. Meanwhile, "average" UK house prices for November confirmed the rapid slowing pace of late, with Rightmove showing a -0.8% contraction, dragged lower by London's continued slide. 3-month unemployment to September was unchanged at 4.3%, so were average weekly wages at 2.2%. October retail sales came in above the

expected 0.2%, at 0.3%, but saw the first annualised contraction since 2013, at -0.3%. In a consumption led economy the trend doesn't look good:



The FTSE 100 fell by 0.7%, whilst the French CAC and the German DAX gave up a respective 1.1% and 1%.

Out East, Japan Q317 housing loans slowed to 2.9% year-on-year following Q2's 3.3%, whilst Condo sales in Tokyo **improved** to -3% annualised in October against September's -13%. Q317 provisional GDP was stated at half of Q2's 0.6% and 2.6% annualised, at 0.3% and 1.4%, dragged lower by slower business spending and contracting private consumption, the latter which is lopping off a full percentage point from GDP. Considering the amount of monetary stimulus (**further debt**) thrown at the Japanese economy the results look anything but promising:

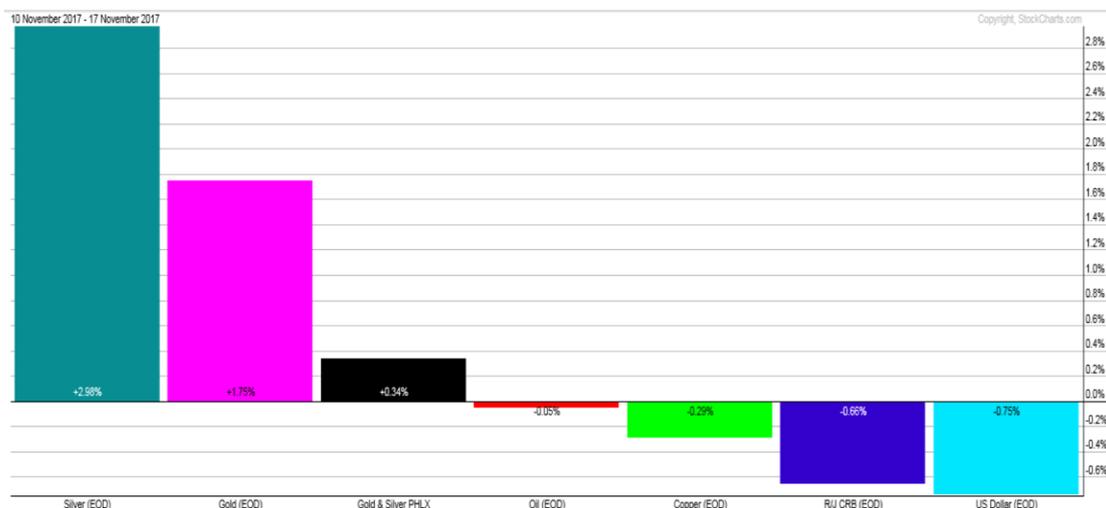


Elsewhere, China's money-supply slowed in October, as did retail sales, whilst wage-price inflation remained static in Q317, at 0.5%, despite unemployment easing to 5.4% in October from September's 5.5%. Meanwhile, Australian business sentiment improved in October whilst consumer confidence fell in November, no doubt helped by static Q317 wage-price inflation at 0.5%.

The Nikkei fell by 1.26% whilst the Hang Seng added 0.3%.

The \$US fell by 0.75% to 93.6 with other losers included the \$KIWI and the \$OZ, lower by 1.4% and 0.8%, whilst risers included the South African Rand and the Yen, higher by a respective 1.4%. Sovereign bond yields were lower in the main as Japan's JGB 10-year yield fell by 0.01 to 0.02%, the UK 10 year yield slipped by 5bps at 1.29% as did the German yield at 0.36%. Spain's 10-year yield eased by 2bps to 1.54% with Italy's unchanged at 1.83%, as the Irish 10-year yield fell by 8bps to 0.55%. Portugal's 10-year fell by 8bps, at 1.95%, whilst the Greek yield rose by 7bps at 5.13%. US 5 and 10-year yields diverged, with the 5 adding 0.3%, at 2.06%, whilst the ten fell by 1.9% to 2.35%.

Commodities were mixed once more as \$Oil was unchanged at \$56.7 a barrel, the CRB fell by 0.7% whilst Copper eased by 0.3%. Precious metals saw \$Gold higher by 1.75% at \$1294, \$Silver rose by 3% to \$17.4 and in the paper market, the XAU gold-index added 0.3%:



Economic data due for release next week includes housing for the US and the UK plus minutes of the recent monetary policy meetings of the FOMC, the ECB and the Reserve Bank of Australia. There are more sentiment updates for the US and the Euro-Zone, with PMI readings for these two and Japan. Japan also reports on retail sales and PPI services plus it is a holiday shortened trading week for America, with the markets closed for Thanksgiving on Thursday and only partially open on the Friday which is also the "*Black Friday*" kick-off to the seasonal shopping binge. The main economic and political event for the week will be the UK public finances, the budget and Q317 GDP.

Returning to the auction theme, the aforementioned old masters' and Manhattan prime real estate returns appear to be decidedly dull compared with the current darling of the online auction rooms, Bitcoin, which has risen by a phenomenal **5000%, or 300% annualised since January 2015**, and by **140,000% since September 2011!** To put *this* into context, the most watched stock-index on the planet, the Dow Jones Industrial Average (the Dow,) has

taken **117-years to gain 38,000%, or 5% annualised** (figures rounded,) albeit that it's seen a 4000%/9%pa gain since the credit spigots started to open in 1974, some 43-years ago, a time in history when there were very few, if any, speculators. Having started with a **Socionomic** observation perhaps it is fitting to end this week with a couple more. Old masters' speculation tends to be the domain of the 60+ demographic who in the main are extremely wealthy individuals with years of investment experience, whereas recent analysis shows that 60% of Bitcoin owners are under the age of 35, intrinsically have much less experience in risk management than a 60-year-old, with crypto-currencies seen to be their first ever investment. Add in the fact that there are now Bitcoin derivatives, offering 100X leverage, you have to go back to 1636 to witness anything close to this level of speculation (extreme collective positive mood), with 1637, yes another year ending in 7, providing a wonder to behold.

“Your Clue is [HERE](#)”

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	643.01	38.4	36.9	71.0	137.2	818.6
2	I - Hang Seng (Hong Kong)	29,199	32.7	31.2	22.7	38.0	68.1
3	I - NASDAQ Composite	6,782.79	26.0	27.2	45.2	137.7	64.2
4	I - IMA Sector Asia Pacific Excluding Japan	1,951.37	25.3	26.8	51.4	80.7	326.0
5	I - IMA Sector Global Emerging Markets	1,881.21	23.5	26.8	43.4	55.8	321.2
6	I - Dow Jones Industrial Average	23,358.25	18.2	23.6	32.4	85.6	102.5
7	I - IMA Sector Europe Excluding UK	1,361.84	17.2	24.4	50.9	102.9	169.0
8	I - Nikkei 225	22,396.75	17.2	25.4	31.9	148.2	18.3
9	I - S&P 500	2,578.85	15.2	17.9	26.3	89.6	73.6
10	I - DAX Xetra (Germany)	12,993.7	13.2	21.6	39.6	86.9	85.8
11	I - CAC 40 (Paris)	5,319.17	9.4	17.5	25.9	59.2	-10.1
12	I - FTSE 350 Lower Yield	4,050.42	9.2	13.1	23.4	53.5	10.7
13	I - FTSE 100	7,380.68	3.3	8.6	10.6	31.7	6.5
14	I - FTSE 350 Higher Yield	3,769.73	0.4	6.1	4.2	23.3	27.5
15	I - IMA Sector Money Market	254.08	0.1	0.1	0.7	1.2	36.1

NB the IMA indices are £GBP adjusted

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