

# Global Market Update



25 January, 2017

## Stocks mixed as Lunar New Year approaches

Stocks in Asia were mixed in light trading before the Lunar New Year holidays.

### US markets

The S&P and Nasdaq closed at fresh highs. The S&P was up 0.7 percent while the Nasdaq added 0.9 percent. The Dow Jones industrials were 0.6 percent higher. Materials and financial companies were among the biggest gainers. Energy stocks also climbed on higher crude oil prices. However, health care, phone companies and other high-dividend stocks were among the biggest laggards thanks to higher bond yields.

The heads of the automakers General Motors, Ford Motor and Fiat Chrysler met with President Donald Trump early Tuesday. Trump wants the automakers to build new factories in the US. He warned of a "substantial border tax" on companies that move manufacturing out of the country and promised tax advantages to those that produce domestically. The three companies advanced on the day.

Freeport-McMoRan advanced. DR Horton climbed after the homebuilder delivered higher earnings as home closings and net home orders increased. Lennar and PulteGroup also gained. Kimberly-Clark was higher after reporting earnings that beat forecasts. Johnson & Johnson slid after the company reported fourth quarter results and also issued a 2017 forecast that fell below expectations. Verizon tumbled after the company's earnings for the last three months of 2016 fell short of what was expected. The company, whose deal to buy Yahoo's internet operations may be in jeopardy, also said that its roster of retail post-paid subscribers fell sharply. Yahoo reported a profit for the fourth quarter that was higher than expectations. The company also said it expects a delay in completion of the deal with Verizon Communications. Apple was flat on a broker downgrade.

The January flash manufacturing PMI climbed to 55.1 from 54.3 in December. December existing home sales declined 2.8 percent to a lower-than-expected annualized rate of 5.490 million. However, there was a sizable upward revision to November. The reason for the decline in sales is that supply was at its lowest since 1999.

These data reflect observations at 4:00 PM US ET. Gold at the afternoon London fixing was up US\$3.95 to US\$1,216.80. Copper futures were up 2.3 percent to US\$2.71. WTI spot crude was up 34 US cents to US\$53.09. Dated Brent spot crude was up 9 US cents to US\$55.32. The US dollar was up against the euro, yen, Swiss franc and yuan. The currency was down against the Canadian and Australian dollars. However, it was virtually unchanged against the pound. The Dollar Index was up 0.4 percent. The yield on US Treasury 30 year bond was up 5 basis points to 3.04 percent while the yield on the 10 year note was up 6 basis points to 2.46 percent.

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## European markets

Most stock indices advanced Tuesday. The markets fluctuated between small gains and losses over the course of the trading day. Investors were unimpressed with the flash composite PMI data which indicated that Eurozone business activity eased slightly in January. The lackluster opening of the US markets did little to improve the mood among investors in the afternoon. The FTSE was virtually unchanged (down 0.84 point), the CAC and SMI both added 0.2 percent and the DAX was 0.4 percent higher. Both the MIB and IBEX rallied 0.9 percent.

In the UK, the Supreme Court ruled that Parliament must vote on the process of exiting the European Union by triggering Article 50 of the Lisbon Treaty. The Supreme Court today ruled that the government cannot trigger Article 50 without an act of parliament authorizing it to do so. The court also ruled that the devolved legislatures of Scotland, Wales and the Northern Ireland do not have a veto on the UK's decision to exit the EU.

SAP rose after the business software provider posted 2016 results in line with expectations. Automakers Daimler, BMW, Peugeot and Renault advanced. BT Group tumbled after the telecoms giant cut its forecasts for this year and next after finding that "inappropriate" accounting malpractice in its Italian business is far worse than previously thought. EasyJet retreated after saying it is still facing headwinds from the effects of weak sterling and fuel prices. IG Group Holdings was lower after the online trading firm has warned of long-term uncertainty from a regulatory clampdown on spread betting after reporting a 7 percent rise in first-half pretax profit.

Mining stocks gained as a weakening of the US dollar boosted precious metal prices. Anglo American, Antofagasta, Fresnillo, Rio Tinto and BHP Billiton all advanced. Philips Electronics declined in Amsterdam. While repeating its medium-term financial targets, company disclosed a conflict with US authorities over its defibrillators business. Generali jumped in Milan after the insurer bought voting rights worth 3 percent of lender Intesa Sanpaolo's share capital to fend off a reported takeover.

Eurozone flash composite index slipped to 54.3 from 54.4 in December. Germany's composite PMI also declined to 54.7 in January from 55.2 in December. In France, the PMI composite however, climbed to a 67-month high of 53.8 in January from 53.1 in December.

## Asia Pacific Markets

Asian stocks were mixed as higher commodity prices on a weaker US dollar and upbeat earnings results from Samsung Electronics helped investors shrug off renewed concerns about protectionist policies under new US President Donald Trump. The US dollar remained under selling pressure in Asian trading on mounting uncertainty over future US fiscal policy — Trump vowed to impose a major border tax on companies that move production overseas. He also abandoned the Trans-Pacific Partnership free-trade deal and announced plans to renegotiate the terms of NAFTA at the appropriate time.

The Shanghai Composite was 0.2 percent higher in thin trading as investors moved to the sidelines ahead of the Lunar New Year holidays. The Hang Seng also was up 0.2 percent.

Both the Nikkei and Topix retreated 0.5 percent. The yen firmed following the better than expected flash manufacturing PMI for January. Kansai Electric Power, Toshiba, Dai-ichi Life Insurance, Mitsubishi Motors, Fast Retailing and Mitsubishi UFJ Financial Group dropped. Takata declined to extend losses for a seventh straight session as the company braces for a drawn-out bankruptcy.

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Both the S&P/ASX and All Ordinaries were up 0.7 percent. Steelmaker BlueScope Steel upgraded its underlying profit forecast and medical device maker ResMed posted another solid quarter of operations. Miners BHP Billiton, Rio Tinto and Fortescue Metals Group climbed after base metal prices soared overnight. Banks ended flat to slightly lower on concerns over increased household debt.

The Kospi was virtually unchanged (down 0.23 point) as investors adopted a wait-and-watch approach ahead of Lunar New Year holidays beginning Friday. The Sensex added 1.0 percent after the rupee rose on a weaker US dollar and the Supreme Court dismissed a plea seeking postponement of the budget session.

### Looking forward

Japan posts December merchandise trade balance. Australia releases fourth quarter consumer price index. Germany releases January Ifo survey. In the US, the December FHFA house price index and weekly EIA petroleum status report will be released.

### Global Stock Markets

	Index	End	2016		Daily	Percent Change		
		2016	Jan 23	Jan 24	Change	Daily	2017	Yr/Yr
<b>North America</b>								
United States	Dow	19762.6	19799.9	19912.71	112.9	0.6	0.8	23.2
	NASDAQ	5383.1	5552.9	5600.96	48.0	0.9	4.0	22.6
	S&P 500	2238.8	2265.2	2280.07	14.9	0.7	1.8	19.8
Canada	S&P/TSX Comp	15287.6	15480.1	15610.69	130.6	0.8	2.1	26.6
<b>Europe</b>								
UK	FTSE 100	7142.8	7151.2	7150.34	-0.8	0.0	0.1	21.0
France	CAC	4862.3	4821.4	4830.0	8.6	0.2	-0.7	10.9
Germany	XETRA DAX	11481.1	11545.8	11594.9	49.2	0.4	1.0	18.0
Italy	MIB	19234.6	19328.4	19499.5	171.1	0.9	1.4	3.0
Spain	Ibex 35	9352.1	9304.8	9387.2	82.4	0.9	0.4	8.0
Sweden	OMX Stockholm 30	1517.2	1504.7	1522.9	18.2	1.2	0.4	10.7
Switzerland	SMI	8219.9	8229.0	8246.7	17.6	0.2	0.3	-0.8
<b>Asia/Pacific</b>								
Australia	All Ordinaries	5719.1	5668.0	5706.3	38.3	0.7	-0.2	n.a.
Japan	Nikkei 225	19114.4	18891.0	18788.0	-103.0	-0.5	-1.7	12.4
	Topix	1518.6	1514.6	1506.3	-8.3	-0.5	-0.8	10.7
Hong Kong	Hang Seng	22000.6	22898.5	22949.9	51.3	0.2	4.3	21.7
S. Korea	Kospi	2026.5	2066.0	2065.8	-0.23	0.0	1.9	10.4
Singapore	STI	2880.8	3025.5	3042.0	16.5	0.5	5.6	19.5
China	Shanghai Comp	3103.6	3136.8	3142.6	5.8	0.2	1.3	14.3
Taiwan	TAIEX	9253.5	9424.1	9448.0	23.9	0.3	2.1	20.7
India	Sensex 30	26626.5	27117.3	27375.6	258.24	1.0	2.8	n.a.
Data Source — Haver Analytics								

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## Bond markets

10-Yr Govt Bonds	Closing Yield	Change Yield (bp)
US	2.46%	6
UK	1.40%	4
Germany	0.40%	5
Japan	0.04%	-1
Australia	2.69%	-6

Source — Bloomberg

## Currencies and commodities

Currency	Jan 23	Jan 24	Change (%)
Japanese yen	113.100	113.760	-0.6%
Australian dollar	0.757	0.7582	0.1%
Yuan	6.854	6.859	-0.1%
Euro	1.074	1.073	-0.1%
British pound	1.250	1.251	0.0%
Swiss franc	0.999	1.001	-0.2%
Canadian dollar	0.754	0.760	0.8%

Source — Bloomberg

Commodities	Jan 24	Change
Brent Spot	\$ 55.32	0.16%
Gold (PM fixing)	\$ 1,216.80	\$3.95
Thompson-Reuters/ Jeffreys Commodity index	196.26	0.26%

Source — Bloomberg

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