

WEEKLY INVESTMENT MARKET UPDATE

04 March 2016



EQUITY MARKETS

The FTSE 100 rose by 1.7% this week and the All-World rose by 1.2%.

- Movements in equity prices this week have largely followed oil prices which finished the week strongly, recording a 3.6% gain. Oil began the week poorly as Saudi Arabia stated they were “not banking on (supply) cuts”, however, talks continue.
- The headlines were all political this week, although neither Brexit nor the rise of Trump have significantly impacted markets yet. Despite mixed economic data in the US, consumer sentiment remains positive, and continues to drive spending and prices upwards.
- In the Eurozone the composite PMI eased, while Germany’s confidence indicator retreated for the third consecutive month. The UK saw no revisions to the fourth quarter GDP, recording a 1.9% gain for the year.

BOND MARKETS

Long term gilt yields remained level this week, while medium term gilt yields rose by 9 basis points

- In the US inflation is finally showing signs of rising from its slumber as the Fed’s preferred inflation measure the core PCE is up from 1.4% year on year to 1.7%, and nudging ever towards the 2% target.
- Also rising are wages and salaries, which are up a very strong 0.6% for the month. If this continues next month (and especially if it combines with a strong employment report for February as expected) the hawks at the Fed will be pushing for another rate hike.
- Gilt yields were impacted little throughout the week.

CREDIT YIELDS

	04 Mar 16	26 Feb 16	31 Dec 15
iBoxx £ Corporate Over 15yr AA	3.64%	3.72%	3.68%
iBoxx £ Corporate Financials Over 15yr AA	3.75%	3.84%	3.70%

Corporate bond yields fell by 8 basis points this week. This was less than the 9 basis points rise in gilt yields leading to a decrease in credit spreads over the week.

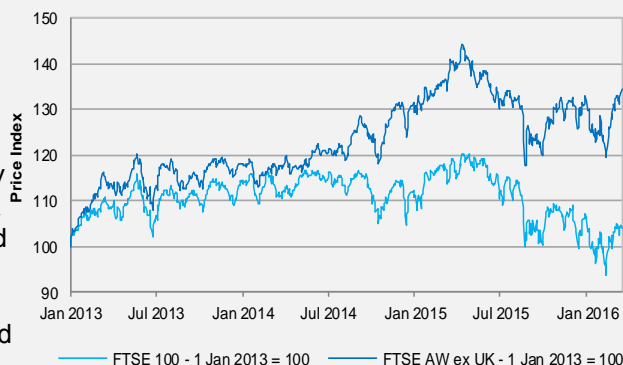
SWAPS (ANNUALISED)

	04 Mar 16	26 Feb 16	31 Dec 15
GBP Swap 10y	1.47%	1.34%	2.00%
GBP Swap 30y	1.67%	1.58%	2.17%
GBP RPI Swap 10y	2.98%	2.82%	3.11%
GBP RPI Swap 30y	3.33%	3.28%	3.45%

Interest rate swap rates rose by 13 basis points at the 10 year maturity and by 9 basis points at the 30 year maturity.

Inflation swap rates rose by 16 basis points at the 10 year maturity and by 5 basis points at the 30 year maturity.

	04 Mar 16	26 Feb 16	31 Dec 15
FTSE 100	6,199	6,096	6,242
FTSE All-World ex UK	273	269	271



	04 Mar 16	26 Feb 16	31 Dec 15
2042 Fixed Interest Gilt – gross redemption yield	2.33%	2.33%	2.66%
2044 Fixed Interest Gilt – gross redemption yield	2.37%	2.37%	2.69%

