

# April 2017 Newsletter

A Modern Stockbroker with  
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## Themes from April

**PM Theresa May** has called a “snap” General Election for the 8<sup>th</sup> June 2017 to strengthen the Conservative majority in the House of Commons.

**US President Donald Trump** unveiled a tax plan that was poorly received due to its lack of detail. There are concerns over its progress in the US Congress given its reliance on \$7trn more Federal debt.

**Lloyds Banking** reported a Q1 profit of £890m +68%. The UK government has since reduced its stake to 0.87% via a trading plan that sells c.1% per month.

**Conservative** manifesto will promise to cap electricity and gas prices, borrowing a Labour policy. Whilst the wording has yet to be disclosed, shares in Centrica, United Utilities and SSE were hit.

**Jimmy Choo** has launched a strategic review and announced it was open to takeover offers. Parent co JAB Luxury has also put Bally shoes up for sale.

**The Arnault family** has offered €260 per share for the 26% minority interest in Christian Dior that it does not already own.

**GSK** reported Q1 sales of £7.4bn +19% helped by weak sterling but said that earnings growth for 2017 could be flat depending on the timing of the release of generic copycat drugs to Advair.

**Tullow Oil** completed its 130p per share rights issue, with underwriters left with 4.7% of the new shares.

## Forthcoming UK Events

2  
MAY

GB Markit/ CIPS Manufacturing PMI

3  
MAY

GB Construction PMI/ BoE Minutes

4  
MAY

UK new car sales/ UK mortgage approvals / UK consumer credit

8  
MAY

UK Halifax House Price Index

11  
MAY

UK Balance of Trade/ UK Industrial Production/ UK Manufacturing Production/ BoE Inflation Report

16  
MAY

UK PPI Output/ UK Core Inflation/ UK Retail Price Inflation

17  
MAY

UK Average Earnings/ UK Unemployment Rate

18  
MAY

UK Retail Sales

19  
MAY

UK CBI Industrial Trends Orders

23  
MAY

UK Public Sector Net Borrowings

25  
MAY

UK GDP growth/ UK Business Investment

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## Performance of World Markets (28/4/2017)

North America	Value	Change	+/- (1M)%	+/- (1YR)%
DOW JONES (Close)	20,940.51	281.19	1.36	17.82
S&P 500 (Close)	2,384.20	23.07	0.98	15.44
NASDAQ (Close)	6,047.61	150.06	2.54	26.64

Europe/UK	Value	Change	+/- (1M)%	+/- (1YR)%
UK 100 INDEX (Close)	7,203.94	-169.78	-2.30	15.41
CAC 40 INDEX (Close)	5,267.33	198.29	3.91	18.93
EUROSTOXX 50 (Close)	3,559.59	84.32	2.43	17.55

Asia/Far East	Value	Change	+/- (1M)%	+/- (1YR)%
SHANGHAI COMPOSITE (Close)	3,154.66	-55.58	-1.73	7.36
NIKKEI-225 (Close)	19,196.74	133.52	0.70	15.18
ASX 200 (Close)	5,924.10	27.90	0.47	12.79
HANG SENG (Close)	24,615.13	314.04	1.29	18.68

### United Kingdom

UK blue chips ended April 2017 (-1.7%) due primarily to a stronger sterling (+2.9%). A larger Conservative majority is on the cards for 8<sup>th</sup> June. Normally this would lift sterling further, and would present a headwind for equities.

A new parliamentary term, to 2022 provides more time for the UK government to conclude EU negotiations, possibly enabling transitional agreements whilst details are worked out.

UK utilities were hit hard over April with warm weather and the prospect of price fixes in 2017/2018. Centrica fell 8.4%, SSE off 6.2% and United Utilities down 0.9%. The sector had been

### China/Japan

The People's Bank of China allowed the yuan to drift lower in the last year, with most of the depreciation over the September/ November 2016 period. However at the Mar-a-Lago meeting with Chinese President Xi Jinping in April 12<sup>th</sup>, US president Donald Trump said his administration would not label China a "currency manipulator" and had in fact been trying to prevent further yuan weakening. Instead Trump claimed the USD had been "getting too strong, because people have confidence in me".

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seen as a beneficiary of higher inflation which helps pricing.

Barclays Q1 was a disappointment with basic EPS of 1.3p and limited guidance on US legal developments, or the dividend which was halved in 2016. Trading revenue was below forecast. RBS Q1 was positive, with profit of £259m and a 10.5% drop in the cost/income ratio. RBS ended Q1 with a very high CET1 ratio of 14.1% v Barclays at 12.5%. Only Standard Chartered had a positive Q1 reporting underlying profits of almost \$1bn.

28 Apr 2016 00:00 UTC - 28 Apr 2017 10:37 UTC USD/CNY close: 6.89555 low: 6.47155 high: 6.96060



source: [www.xe.com](http://www.xe.com)

Japanese ten year bonds hit a record low yield of 0.01%. Tokyo shares have struggled to break new ground in 2017.

## Europe

Mr Macron's Presidential first round win was well received providing a shot in the arm for the EU project. With the runners up, Mr Fillion and Mr Hamon falling in line behind Mr Macron the 7<sup>th</sup> May result appears a racing certainty.

The challenge for Mr Macron, aged just 39, is to rebuild a political consensus and stimulate GDP growth. He has promised a €50bn infrastructure programme and a shift to more renewable energy. He has promised to cut taxes and cut unemployment from 10% to 7%.

CAC40 stocks surged 4.5% over April 2017 in response to the Macron win. French banking stocks were amongst the top performers.

The Euro jumped sharply against the USD hitting \$1.09/ € as investors perceived Euro risks as declining.

The calming down of political tensions in the EU, helped by the Dutch and now French polls is positive for GDP growth, expected at 1.6% in Germany, 1.3% in France and 2.5% in Spain. Finland and Italy are expected to grow at 1% during 2017. However the growth stars (3%) are Luxembourg, Ireland, Malta and Slovakia.

## United States

The Trump "phenomenal" tax plan, detailed on 26<sup>th</sup> April ahead of the 100 day timeline, has caused some disquiet. The \$7trn tax cut "plan" envisages:-

- Cutting US corporation tax to 15%
- Lack of any funding plan, i.e. other than higher borrowing
- Reducing the individual tax brackets from 7 to 3; 10%, 25% and 35%
- Eliminating the estate tax on estates valued at above \$11m for married couples. This is of direct benefit to Donald Trump and 5,300 other American families.

Ebbing faith in President Trump's credibility has not yet had a discernable impact in either capital markets or currency. The Nasdaq Composite exceeded 6,000 during April a new record. This reflects continuing confidence in the eventual arrival of a 15% corporate tax rate and a tax holiday on cash repatriated from abroad.

Amazon reported Q1 sales of \$35.7bn up 23% with net income of \$724m or \$1.48 per share beating estimates of \$1.08 per share. Amazon web services grew revenues by 43% to \$3.66bn. The jump in profits puts Jeff Bezos within a whisker of becoming the world's wealthiest person.

## Important Information

### Risk Warning:

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