Monthly Market Roundup

December 2016 (covering November 2016)

Global overview

While October's market trepidation about the US presidential election extended into November, Donald Trump's unexpected election win took investors by complete surprise. Although investors' initial emotional response to the US election outcome saw futures for the Dow Jones Industrial Average drop 800 points, markets strongly recovered while the yield curve steepened (an increase in the yield spread between short and long dated bonds) in the three days post the election. Trump's pro-growth, deregulation and reflationary policy stance renewed investors' risk-on sentiment and fuelled the move away from 'bond proxies' (equities exhibiting some bond-like characteristics) into more cyclical areas of the market (sensitive to economic cycles). With US economic growth gathering speed on the back of positive core economic data, bond markets fully priced-in a December US interest rate increase by month end. Whereas US equity markets reaching all-time highs, Trump's policy views on trade and immigration, US dollar strength and political developments in Europe and Asia weighed on global equity markets. Unable to hold onto October's gains, the MSCI AC World index trended lower to record a total return of -1.49% in sterling terms for November. At the sector level, financials generated some of the strongest returns on prospects of deregulation under a Trump Presidency and on the back of strong third quarter corporate earnings results. Infrastructure-related industrials and materials sectors also did well, while energy stocks benefitted from improving commodity prices. The oil and gas sector received an additional boost at month end as the Organization of the Petroleum Exporting Countries (OPEC) agreed to cut oil production starting January 2017. However, scepticism over OPEC's ability to implement such cuts outside of OPEC remained.

The ensuing post-US election rally lead the S&P 500 index to a new all-time high of 2,213.35, while the Russell 2000 index of smaller companies recorded the sharpest monthly jump since 2011. Overall, the S&P 500 index posted solid returns in November and remained positive year-to-date in US dollar terms. US equity markets received additional support from a slew of positive core economic data releases and continued strong consumer spending prints. In a sign that the US economy is gaining speed, third-quarter US GDP was revised up. At an annualised rate of 3.2%, the US economy expanded in the third quarter at the fastest rate in two years. With banks, defence-related and infrastructure-related industries the likely beneficiaries of Trump's policies, cyclical sectors, led by financials, outpaced perceived 'defensive' sectors.

While UK equity markets and government bond yields rose in response to the surprise US election outcome, the FTSE All-Share index fell in November and saw an acceleration of the sector rotation (movement of money between industry sectors). 'Value' sectors, notably financials and materials, performed strongly, while 'bond-proxy' sectors lagged. Economic data release confirmed headline UK consumer price inflation below 1% in October, while preliminary estimates of GDP indicated 0.5% growth during the third quarter of 2016, supported by export growth and consumer spending. November saw the release of the eagerly awaited Autumn Statement. Chancellor of the Exchequer Phillip Hammond extended austerity, announced the creation of a £23bn national productivity investment fund and raised borrowing forecasts over the five years to 2020-21. Longer-dated bond yields rose in response to the announcement of plans to increase borrowing between now and April 2017 via gilt sales.

European equity markets remained broadly flat in local currency terms, but dropped in sterling terms as the euro underperformed relative to sterling. With the US presidential election out of the way, investors' attention turned to political events in Europe (starting with the Italian referendum on constitutional reforms in early December), and to the potential shift in stimulus policies globally, from monetary to fiscal. Trump's unexpected US presidential election win fuelled the sector rotation in European equity markets away from defensive areas and into cyclicals. Meanwhile, sectors with bond-like characteristics, such as consumer staples, lagged amid a further rise in government bond yields. Positive economic data indicated a sustainable economic recovery in Europe, with private sector activity surveys hitting 11-month highs, while the Manufacturing PMI hit a 34-month high. Importantly, the eurozone unemployment figure for October unexpectedly declined to 9.8%, the lowest level in more than seven years.

The Japanese equity market ended the month higher in local currency terms, buoyed by a weakening of the yen versus the US dollar post the US presidential election. November saw the consumer price index rise by 0.1%, the first year-on-year rise in eight months, while third quarter GDP data of 2.2% growth exceeded consensus expectations at 0.8%. This data relieves some pressure on the Bank of Japan's monetary easing programme, and in combination with the government's new fiscal measures, provided support to the Japanese equity market. In particular, industrials, financials and consumer discretionary sectors outperformed more defensive sectors, a trend observed widely across global equity indices. The monetary easing environment, combined with a potential short term US interest rate rise, has reduced the risk of further yen appreciation. This helped currency sensitive sectors, such as Japanese exporters, to outperform.

Across Asia, most equity markets fell in November as investors digested the news of Donald Trump's US election victory and struggled with US dollar strength. While higher US growth should benefit Asian exports, the introduction of protectionist policies would clearly be negative for Asian exporters. November witnessed a divergence in performance between regional markets, with Singapore registering a gain. China's equity market fell due to mixed economic data for October as consumption growth disappointed due to slowing auto and residential sales growth. However, fixed investment growth was better than expected (year-on-year) and a majority of Chinese companies announced better-than-expected quarterly earnings. In India, Prime Minister Modi made a surprise announcement to demonetise high denomination bank notes. While it caused a market sell-off, this will help to improve tax compliance and lead to a reduction in India's fiscal deficit longer term. Elsewhere the Australian market benefited from a rebound in the banks and mining stocks.

The prospect of higher US interest rates and concerns about US President-elect Trump's trade and immigration policies soured confidence towards emerging equity markets in November, resulting in their worst month since January and paring year-to-date gains for the MSCI Emerging Markets index to 8.6% in US dollar terms (price returns only). Equity performance varied greatly between countries, with Egypt, Turkey and Mexico leading losses. In particular, weakness in Latin American equity markets was most pronounced in Mexico and Brazil, where both retail sales and industrial production declined; Peru was the only country to post gains. Jitters over the imposition of possible anti-immigration and protectionist policies from the upcoming Trump Presidency weighed on sentiment, especially in Mexico. In the EMEA (Europe, Middle East and Africa) region, the equity markets of Greece and Russia, which drew support from a rising oil price, were the only ones to close the month higher.

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US

- Donald Trump's surprise US election accelerated a trend towards an expansionary fiscal policy
- Post-US election rally led all three major US stock indices to all-time highs
- December US interest rate hike expectations are fully priced in to bond markets

In what appeared to be a repeat of June's outcome of the Brexit vote, US President-elect Donald Trump's unexpected win took the markets by complete surprise. Although investors' initial emotional response to the outcome saw futures for the Dow Jones Industrial Average drop 800 points, markets strongly recovered while the yield curve steepened (an increase in the yield spread between short and long dated bonds) in the three days post the election. Trump's pro-growth, deregulation and reflationary policy stance renewed investors' risk-on sentiment and fuelled the rotation away from 'bond proxies' into more cyclical areas of the market. The ensuing post-US election rally lead the S&P 500 index to a new all-time high of 2,213.35, while the Russell 2000 index of smaller companies gained 12%, recording the sharpest monthly jump since 2011 and logging its longest winning streak in two decades. Small companies stocks tend to perform better when the US dollar is strengthening with expectations of better US economic growth. Overall, the S&P 500 index posted solid returns of 3.70% in November and remained positive year-to-date, returning 9.79% (both total returns in US dollars).

US equity markets, in particular those segments more sensitive to the health of the economy, received additional support from a slew of positive core economic data releases and continued strong consumer spending prints. In a sign that the US economy is gaining speed, revised third quarter US GDP came in at an annualised rate of 3.2%, up from a previously reported 2.9%. The data confirm that the US economy expanded in the third quarter at the fastest rate in two years. This was in part supported by a sharp rise in exports, a rebound in company investment in inventories and an increase in spending by the federal government. In light of the strengthening economy, the Atlanta Federal Reserve is forecasting a GDP rise of 3.6% in the fourth quarter. On the all-important US consumer front, the Index of Consumer Sentiment came in at 93.8 in November's reading, above analysts' 91.6 estimate, while US consumer confidence increased for December. The improving mood was bolstered by a brightening jobs situation that left perceptions about economic conditions at a high last seen in February 2008. While jobless claims rebounded slightly from a four decade low, filings for unemployment benefits have remained below 300,000, a level synonymous with a thriving labour market, for 90 straight weeks; the longest streak since 1970. Additional support also came from better-than-expected existing homes re-sales, rising to their highest level in more than 9.5 years in October amid pent-up demand, offering more evidence of a pickup in economic growth in the fourth quarter. Against this backdrop, bond markets by the end of November fully priced in a December US interest rate rise, with analysts' expectations pointing to a likely hike in the 50-75 basis points range.

On the corporate front, IHS Markit manufacturing index showed a slight improvement for November, rising from 53.4 in October to 53.9, with a reading above 50 signals expansion within the sector. According to IHS, the headline index was the highest since October 2015, largely reflecting robust output and new business growth during the latest survey period. With banks, defence-related and infrastructure-related industries the likely beneficiaries of such policies, cyclical sectors led by financials outpaced perceived 'defensive' sectors in November. While financials also benefited from a relatively strong earnings season and the prospects of less regulation under Trump, energy sector stocks benefited from the Organization of the Petroleum Exporting Countries' (OPEC) agreement on the 30 November to the first production cut since the 2008 financial crisis. The S&P 500 energy index rallied 4% by midday, its biggest gain in two months, and looks to be one of the biggest gainers of 2016, up 18.4% year-to-date by 21 November. However, non-OPEC producer Russia did not attend, but added that a meeting between OPEC and non-affiliated producers at a later stage was possible.

With the earnings season in full swing, 71% of the 490 S&P 500 companies that had reported earnings results as at 29 November had beaten earnings estimates. All but two of the sectors (telecommunication services and energy) reporting positive blended growth rates for the third quarter of 2016. Among the estimate-beating sectors, financials and technology in particular stood out as both saw a relatively high percent of companies exceeding analysts' expectations. However, of those companies which had reported results by 29 November, only 54% also had exceeded revenue expectations. This reflected the continued challenge faced by many companies to get strong top-line growth in the low growth environment. The strength of the dollar has also been a headwind for US corporates, particularly those with overseas earnings.

Elsewhere, merger and acquisition activity (M&A) in November was relatively calm after one of the busiest months for global deal making on record. During the month, South Korea's Samsung Electronics announced its US$8bn deal for US parts supplier Harman International Industries, a global leader in connected car technology and known for its high-end multimedia, navigation and visual display systems.

Europe

- European equity markets remained flat in euro terms, and dropped in sterling terms
- The sector rotation, away from defensive areas and into cyclicals, continued further
- Eurozone unemployment dropped to the lowest level since 2009

In November, European equity markets remained broadly flat in local currency terms. Markets dropped in sterling terms, as the euro underperformed relative to sterling. With the US presidential election out of the way, investors' attention turned to political events in Europe (starting with the Italian referendum on constitutional reforms in early December), and to the potential shift in stimulus policies globally, from monetary to fiscal.

While the world blinked in surprise following Donald Trump's victory in the US presidential elections, the general view was that equity markets would fall heavily and would witness another rush to safety and to assets with defensive characteristics. What happened was the opposite: the sector rotation in European equity markets, away from defensive areas and into cyclicals, continued further. The financials and basic materials sectors were the best performers in November, as investors considered that Trump policies, if executed, could be positive for growth and inflation. An exception was the healthcare sector; while seen as a defensive area and less sensitive to economic cycles, healthcare rallied strongly post-Trump victory on the prospects that headwinds from the heavy regulations proposed by Hillary Clinton would now dissipate. Meanwhile, other sectors such as utilities and consumer goods, with bond-like characteristics, lagged amid a further rise in government bond yields.

On a stock level, Greek lender Piraeus Bank was the standout performer. The company's share price climbed by around 37% benefiting from an accelerating economy, as third quarter GDP figures for Greece, released in November, expanded at the fastest rate this year. Actelion, the Swiss biotech company, was also among the top performers this month, after receiving a takeover bid by Johnson & Johnson, the American health-care giant. Conversely, Veolia Environment, the French utility services company, was among the biggest detractors in November, after the company cut its 2016 revenue targets on weaker growth. ProSiebenSat, the German broadcaster, was another big laggard this month, after announcing a capital raise of €515m to pursue acquisitions, a move that surprised investors.

On the macroeconomic front, data continued to show a sustainable economic recovery in Europe. Private sector activity surveys, such as the flash Eurozone Composite Purchasing Managers Index (PMI) and Services PMI both hit 11-month highs, while the Manufacturing PMI hit a 34-month high. Moreover, the euro-area unemployment figure for the month of October (released on 1 December) unexpectedly declined to 9.8%, the lowest level in more than seven years, signalling that companies are confident in the region's slow but steady recovery. Eurozone headline inflation also continued to accelerate, moving to 0.6% in November from 0.5% a month earlier. Core inflation (excluding food and energy) remained stable at 0.8%. The European Central Bank's governing council holds its next meeting on 8 December, during which policy makers are expected to decide if and how to extend the quantitative easing programme beyond its scheduled end in March 2017.

Invesco Perpetual

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UK

- UK equity markets and government bond yields rose in response to the surprise election of Donald Trump as the 45th US President
- Chancellor Phillip Hammond announced the creation of a £23bn national productivity investment fund and raised borrowing forecasts over the five years to 2020-21
- Rotation into 'value' sectors continued

UK equity markets and government bond yields rose in response to the surprise election of Donald Trump as the 45th US President and a Republican majority to Congress, expecting higher rates of government spending and lower taxes to provide some tailwinds to global economic growth. Into month-end, US GDP data exceeded expectations with a 3.2% rise during the third quarter; on the final day of the month OPEC (Organization of the Petroleum Exporting Countries) agreed its first production cut in eight years, sending crude oil prices soaring.

The UK government pulled few rabbits out of hats in its Autumn Statement; Chancellor Phillip Hammond extended austerity, announced the creation of a £23bn national productivity investment fund and raised borrowing forecasts over the five years to 2020-21. Longer-dated bond yields rose in response to the announcement of plans to increase borrowing; £15bn of the £20.6bn to be raised between now and April 2017 will be funded via gilt sales. Over this period the budget deficit is expected to swell to over £200m - more than twice the level forecast in March's Budget - while the debt/GDP ratio is forecast to peak at around 90% during the current parliament.

Economic data during the month confirmed headline UK consumer price inflation below 1% in October, weighed down by continued deflation in clothing prices; preliminary estimates of GDP indicated 0.5% growth during the third quarter of 2016, supported by export growth and consumer spending.

The FTSE All-Share Index fell during the month and the sector rotation observed through the summer months continued; 'value' sectors, notably financials and materials, performed strongly, while 'bond-proxy' (or defensive) sectors, particularly consumer staples, lagged.

Corporate news flow during the month was headlined by third quarter results from the oil giants; BP reported a near 50% fall in third quarter profits, citing a "weaker price and margin environment"; rival Royal Dutch Shell posted an 18% uptick in profits for the same period, but also identified the ongoing challenge of lower oil prices and an uncertain outlook. Into month-end The Bank of England (BoE) released results from the latest round of stress tests; RBS failed multiple hurdles and was forced to submit a revised capital plan. The BoE's Financial Policy Committee (FPC) judged that no system-wide changes to bank capital requirements were required.

There was some positive news from Thomas Cook; full year operating profits beat analysts' expectations and the company resumed a dividend payment for the first time in five years.

UK Regulator Ofcom began formal proceedings to force a legal separation of BT from its Openreach broadband infrastructure; BT has already established two separate entities but Ofcom is pushing for two separate companies to drive competition across the market.

US regulators lifted a ban on clinical trials of AstraZeneca's new cancer treatment durvalumab; trials of the much-anticipated immunotherapy drug were halted last month after participants presented with bleeding symptoms. Outsourcing company Mitie issued a profit warning, attributing lacklustre performance through the first half of the year to rising labour costs and economic uncertainty following the vote for Brexit. Cigarette filter manufacturer Essentra warned on profits for the second time this year, despite repeated cost-cutting measures.

Asia Pacific

- Investor sentiment in Asia suffered from uncertainties post US election
- India cracked down on its black economy
- Japan's equity market saw currency sensitive sectors outperform

Most Asian equity markets fell in November as investors digested the news of Donald Trump's victory in the US presidential election. Investor sentiment was dampened by Trump's proposal to stimulate the US economy through expansionary fiscal policies. While higher US growth should lead to increased demand for Asian exports, the introduction of protectionist policies would clearly be negative for Asian exporters. There was a divergence in performance between markets, with China's equity market being a notable outperformer. From a sector perspective, cyclicals fared relatively better than defensives, with materials and financials sectors outperforming while defensive sectors, such as consumer staples, lagged.

In China, economic data for October was mixed as consumption growth disappointed due to slowing auto and residential sales growth, while fixed investment growth was better than expected (year-on-year). On a positive note, the majority of Chinese companies announced better-than-expected quarterly earnings. Elsewhere, India's Prime Minister Modi made a surprise announcement to demonetise high denomination bank notes, which will force a reduction in the size of the cash-based black market. Although in the long term this will improve tax compliance and lead to a reduction in India's fiscal deficit, it still caused a market sell-off. The Taiwan equity market suffered from concerns over the potential impact of any protectionist measures on the export-dependent technology sector, while in South Korea political turmoil persisted with President Park hinting at resignation. Conversely, the Australian market benefited from a rebound in the banks and mining stocks. The banks were boosted by the Australian regulator appearing to push out Basel IV higher capital requirements, while the miners stocks outperformed given the rise in many commodity prices.

The Japanese equity market ended the month higher in local currency terms, buoyed by a weakening of the yen versus the US dollar post the US election. The consumer price index rose 0.1%, the first year-on-year rise in eight months, while third quarter GDP data of 2.2% growth exceeded consensus expectations at 0.8%. This data relieved some pressure on the Bank of Japan's monetary easing programme, and in combination with the government's new fiscal measures, provided support to the Japanese equity market.

Over the period, the industrials, financials and consumer discretionary sectors outperformed more defensive sectors including healthcare and telecommunications, a trend observed widely across global equity indices. The monetary easing environment, combined with the potential for US interest rates to rise in the short term, have reduced the risk of further yen appreciation. This helped the currency sensitive sectors, such as Japanese exporters, to outperform. Third quarter corporate results delivered a mixed outlook for earnings, while corporates continued to use their balance sheet strength to engage in share buybacks given the low interest rate environment.

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Emerging Markets

- Equity weakness exacerbated by rising concerns about US President-elect Trump's trade and immigration policies
- Emerging market currencies were under pressure from a strengthening US dollar
- Mexico and Turkey increased interest rates to protect their currencies

The prospect of higher US interest rates and concerns about US President-elect Trump's trade and immigration policies soured confidence towards emerging equity markets in November. The asset class had its worst month since January, paring year-to-date gains for the MSCI Emerging Markets index to 8.6% in US dollar terms (price returns only). Equity performance varied greatly between countries last month. Egypt, Turkey and Mexico led the losses with Latin America being the weakest regional performer. However, the Russian equity market gained ground, drawing support from a rising oil price. With the futures markets now fully pricing in a US interest rate hike in December, the US dollar strengthened across a basket of currencies. The Egyptian pound, the Turkish lira and the Mexican peso suffered the most. Precious metals (gold and silver) also slumped in value, whereas copper gained 20%. From a sector perspective, materials was the only one to advance, while consumer staples lagged.

Weakness in Latin American equity markets was most pronounced in Mexico and Brazil, while Peru was the only country in the region to post gains. Jitters over the imposition of possible anti-immigration and protectionist policies from the upcoming Trump Presidency weighed on sentiment, especially in Mexico. To combat currency weakness, Mexico's central bank raised interest rates by 50 basis points to 5.25%. Attempts by the Brazilian government to address a widening budget deficit was boosted following a first-round vote by the Senate to approve a motion to place a 20-year cap on federal spending. Economic news from Brazil was not great last month, with both retail sales and industrial production falling.

In the EMEA (Europe, Middle East and Africa) region, the equity markets of Greece and Russia were the only ones to close the month higher. Equity losses in Egypt were aggravated by the sharp devaluation of the local currency as the country's central bank took steps to liberalise its foreign exchange market. Protecting the value of the lira was cited by Turkey's central bank as it increased interest rates by 50 basis points to 8.0%. On a more encouraging note, ratings agency S&P announced that it had revised Turkey's outlook to stable, from negative. The country's Economy Minister said that Turkey had agreed to implement a wide-ranging trade agreement with the UK once it leaves the European Union. Political developments continued to overshadow events in South Africa, as President Zuma survived a no-confidence vote.

Equity weakness was less pronounced in emerging Asia. As in the other regions, markets were unnerved by fears over the potential impact of the implementation of US protectionist measures, with export-dependent sectors faring the worst. The Chinese renminbi hit an eight-year low versus the US dollar.

MSCI US$ price index return	**(%, US$)**
	Nov 2016
Emerging markets	-4.7
Developed markets	1.3
Emerging Asia	-2.9
EMEA	-5.0
Latin America	-10.8
Top five by country	
Greece	9.5
Russia	4.8
Peru	3.4
Singapore	2.1
China	-1.2
Bottom five by country	
Egypt	-33.5
Turkey	-15.1
Mexico	-13.1
Indonesia	-12.5
Brazil	-11.4

Source: MSCI Indices, Bank of America Merrill Lynch, 30 November 2016.

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Fixed Interest

- The bond market sell-off continued
- Trump's election signalled a shift toward fiscal expansion
- The UK government announced it will need to borrow more

The recent weakness in government bond markets continued in November. US Treasuries saw the biggest move, with yields on the 10-year Treasury rising from 1.83% on 31 October to 2.41% on 30 November. Other government bond markets followed the US, with 10-year gilts rising from 1.28% to 1.45% and 10-year Bund yields rising from 0.16% to 0.30%.

A key influence on returns was Donald Trump's surprise election as President of the United States. Financial markets focused on the President-elect's stated plans for large scale fiscal expansion. These raised inflation expectations and also cemented expectations about the timing of the next hike in US interest rates. By 30 November, the futures market had fully priced in a December hike. The US dollar also surged following Trump's election recovering from weakness in the lead up to the election.

In the UK, the Chancellor of the Exchequer set out the UK government's own plans for fiscal expansion in the Autumn Statement. While stressing a continuation of fiscal discipline, the Chancellor announced that the government will borrow an extra £20.6bn during fiscal year 2016/17 and from 2018 onwards will borrow an extra £20-30bn. This additional supply added to pressure on the gilt market.

The weakness in government bond markets fed through to the wider bond market with investment grade corporate bonds, which are typically more sensitive to interest rate changes, underperforming parts of the market with higher credit risk, such as high yield.

The banking sector continued to outperform non-financial bonds, albeit while delivering a negative absolute return. Contributing to the sector's outperformance was the positive impact on bank's earnings of the rise in yields, steeper yield curves (an increase in the yield spread between short and long dated bonds) and an expectation that Trump's election signals the start of a less restrictive regulatory regime for US banks.

Toward the end of the November, focus turned to the next potential source of volatility, the Italian constitutional reform referendum. The market was concerned that if the government lost the vote it could lead to new Italian elections, and these elections could benefit the populist and anti-euro Five Star Movement (FSM). The potential uncertainty added to pressure on Italian government bonds, which in turn increased the pressure on the Italian banking sector, which owns substantial amounts of these bonds.

Government Bonds					**Yield to maturity (%)**
	30.11.16	**31.10.16**	**31.08.16**	**31.05.16**	**30.11.15**
US Treasuries 2 year	1.11	0.84	0.81	0.88	0.93
US Treasuries 10 year	2.38	1.83	1.58	1.85	2.21
US Treasuries 30 year	3.03	2.58	2.23	2.65	2.97
UK Gilts 2 year	0.13	0.26	0.14	0.43	0.60
UK Gilts 10 year	1.42	1.25	0.64	1.43	1.83
UK Gilts 30 year	2.05	1.88	1.27	2.22	2.53
German Bund 2 year	-0.73	-0.62	-0.62	-0.51	-0.42
German Bund 10 year	0.28	0.16	-0.07	0.14	0.47
German Bund 30 year	0.95	0.79	0.46	0.85	1.33

Source: Bloomberg LP, Merrill Lynch data. Data as at 30 November 2016.

Corporate Bonds										**Yield to maturity (%)/Spread[1] (bps)**
	30.11.16		**31.10.16**		**31.08.16**		**31.05.16**		**30.11.15**	
£ AAA	2.01	41	1.86	39	1.24	31	2.27	48	2.70	57
£ AA	2.07	83	1.95	82	1.44	77	2.47	100	2.86	102
£ A	2.73	137	2.60	135	2.03	127	3.04	154	3.25	147
£ BBB	3.17	192	3.05	187	2.53	181	3.60	219	3.76	204
€ AAA	0.78	68	0.61	58	0.40	58	0.79	69	0.98	71
€ AA	0.45	74	0.37	66	0.21	64	0.53	76	0.76	77
€ A	0.76	105	0.65	92	0.48	89	0.84	107	1.03	107
€ BBB	1.35	158	1.16	139	0.99	136	1.41	162	1.72	169
European High Yield (inc € + £)	4.57	432	4.21	391	4.31	400	5.09	465	5.25	461

Source: Bloomberg LP, Merrill Lynch data. Data as at 30 November 2016.

[1] Credit spread - difference in yields offered by corporate bonds over government bonds, that have similar maturity but different credit quality. Option Adjusted Spread (OAS) is used to account for the optionality inherent in many corporate bonds.

Global equity and commodity index performance – figures to 30 November 2016 (%)

	1 Month	3 Months	6 Months	YTD	2015	2014	2013	2012	2011
Global US & Canada									
MSCI World (US$)	1.5	0.1	3.4	5.6	-0.3	5.5	24.7	16.5	-5.0
MSCI World Value (US$)	2.8	2.4	6.1	9.4	-4.1	4.4	27.5	16.4	-4.9
MSCI World Growth (US$)	0.1	-2.2	0.7	1.8	3.5	6.6	27.2	16.6	-5.1
MSCI World Small Cap (US$)	4.2	2.0	5.8	10.6	0.1	2.3	32.9	18.1	-8.7
MSCI Emerging Markets (US$)	-4.6	-3.1	8.7	11.3	-14.6	-1.8	-2.3	18.6	-18.2
FTSE World (US$)	1.0	-0.1	3.7	6.1	-1.4	4.8	24.7	17.0	-6.5
Dow Jones Industrials	5.9	4.6	9.0	12.6	0.2	10.0	29.7	10.2	8.4
S&P 500	3.7	1.8	6.0	9.8	1.4	13.7	32.4	16.0	2.1
NASDAQ	2.8	2.4	8.3	7.6	7.0	14.8	40.1	17.5	-0.8
Russell 2000	11.2	7.0	15.4	18.0	-4.4	4.9	38.8	16.4	-4.2
S&P/ TSX Composite	2.2	4.1	8.8	19.1	-8.3	10.6	13.0	7.2	-8.7
Europe & Africa									
FTSE World Europe ex-UK €	-0.2	-0.3	-0.1	-2.9	10.9	0.2	25.2	17.8	-14.7
MSCI Europe	1.1	0.3	0.2	-2.5	8.8	7.4	20.5	18.1	-7.5
CAC 40	1.6	3.5	2.7	2.3	11.9	2.7	22.2	20.4	-13.4
DAX	-0.2	0.5	3.7	-1.0	9.6	2.7	25.5	29.1	-14.7
Ibex 35	-4.7	0.7	-1.7	-11.8	-3.8	8.0	30.0	1.8	-10.2
FTSEMIB	-0.8	0.7	-4.7	-17.7	15.8	3.0	20.5	12.2	-22.0
Swiss Market Index (capital returns)	0.6	-4.0	-4.2	-10.7	-1.8	9.5	20.2	14.9	-7.8
Amsterdam Exchanges	1.3	1.0	3.6	7.5	7.4	8.7	20.7	14.1	-8.8
HSBC European Smaller Cos ex-UK	-0.6	-0.2	0.6	0.2	23.5	5.2	34.0	20.4	-21.8
MSCI Russia (US$)	4.8	9.5	17.7	38.5	5.0	-45.9	1.4	14.4	-19.3
MSCI EM Europe, Middle East and Africa (US$)	-1.5	-0.5	4.2	13.0	-14.7	-28.4	-3.9	25.1	-23.3
FTSE/JSE Africa All-Share (SA)	-0.6	-3.9	-5.5	1.6	5.1	10.9	21.4	26.7	2.6
UK									
FTSE All-Share	-1.6	0.6	9.6	11.2	1.0	1.2	20.8	12.3	-3.5
FTSE 100	-2.0	0.8	11.0	13.0	-1.3	0.7	18.7	10.0	-2.2
FTSE 250	0.1	-0.4	3.5	3.3	11.2	3.7	32.3	26.1	-10.1
FTSE Small Cap ex Investment Trusts	0.3	-0.1	5.3	6.0	13.0	-2.7	43.9	36.3	-15.2
FTSE TechMARK 100	-0.6	-1.8	11.1	6.3	16.6	12.3	31.7	23.0	3.6
Asia Pacific & Japan									
Hong Kong Hang Seng	-0.5	-0.1	12.3	8.0	-3.9	5.5	6.6	27.5	-17.4
China SE Shanghai Composite (capital returns)	4.8	5.3	11.4	-8.2	9.4	52.9	-6.7	3.2	-21.7
Singapore Times	3.3	3.2	6.0	4.4	-11.2	9.6	3.0	23.4	-14.5
Taiwan Weighted (capital returns)	-0.5	1.9	8.3	10.8	-10.4	8.1	11.9	8.9	-21.2
Korean Composite (capital returns)	-1.2	-2.5	0.0	1.1	2.4	-4.8	0.7	9.4	-11.0
Jakarta Composite (capital returns)	-5.0	-4.4	7.3	12.1	-12.1	22.3	-1.0	12.9	3.2
Philippines Composite (capital returns)	-8.4	-12.9	-8.4	-2.5	-3.9	22.8	1.3	33.0	4.1
Thai Stock Exchange	1.1	-2.1	7.3	21.1	-11.2	19.1	-3.6	41.3	3.7
Mumbai Sensex 30	-4.5	-5.9	0.8	3.7	-3.5	32.4	10.9	27.8	-22.2
Hang Seng China Enterprises index	2.9	3.3	17.6	6.3	-16.9	15.6	-1.5	19.8	-19.7
ASX 200	3.0	1.3	3.4	7.1	2.6	5.6	20.2	20.3	-10.5
Topix	5.5	11.5	7.6	-3.1	12.1	10.3	54.4	20.9	-17.0
Nikkei 225 (capital returns)	5.1	8.4	6.2	-3.8	9.1	7.1	56.7	22.9	-17.3
MSCI Asia Pac ex Japan (US$)	-2.2	-2.1	7.9	8.2	-9.1	3.1	3.7	22.6	-15.4
Latin America									
MSCI EM Latin America (US$)	-10.6	-2.5	15.5	30.2	-30.8	-12.0	-13.2	8.9	-19.1
MSCI Mexico (US$)	-12.7	-11.4	-9.4	-9.5	-14.2	-9.2	0.2	29.1	-12.1
MSCI Brazil (US$)	-11.2	1.6	34.7	65.2	-41.2	-13.7	-15.8	0.3	-21.6
MSCI Argentina (US$)	-9.0	-5.0	-4.5	8.0	-0.4	19.2	66.2	-37.1	-38.9
MSCI Chile (US$)	-4.8	2.2	7.3	17.2	-16.8	-12.2	-21.4	8.3	-20.0
Commodities									
Oil - Brent Crude Spot (US$/BBL)	5.0	6.3	0.0	34.6	-33.5	-49.4	0.2	3.2	15.3
Oil - West Texas Intermediate (US$/BBL)	5.5	10.6	0.6	33.1	-30.5	-45.8	6.9	-7.1	8.2
Reuters CRB index	1.7	5.2	1.9	7.8	-23.4	-17.9	-5.0	-3.3	-8.2
Gold Bullion LBM (US$/Troy Ounce)	-7.9	-10.3	-3.3	10.5	-10.5	-1.8	-27.3	5.6	11.1
Baltic Dry index	40.5	69.3	96.7	151.9	-38.9	-65.7	225.8	-59.8	-2.0

Source: Thomson Reuters Datastream, total returns in local currency unless otherwise stated. Data as at 02 December 2016.

Global currency movements – figures to 30 November 2016

	Current value	Change Over: 1 Month (%)	3 Months (%)	6 Months (%)	YTD (%)	2015 (%)	2014 (%)	2013 (%)	2012 (%)	2011 (%)
Euro/US Dollar	1.06	-3.6	-5.1	-4.9	-2.5	-10.2	-12.0	4.2	1.9	-3.2
Euro/GB Sterling	0.85	-5.6	-0.3	10.1	14.9	-5.1	-6.4	2.1	-2.4	-2.9
Euro/Swiss Franc	1.08	-0.8	-1.9	-2.6	-1.0	-9.5	-2.0	1.6	-0.5	-2.9
Euro/Swedish Krona	9.77	-1.5	2.3	5.3	6.5	-2.7	6.6	3.2	-3.9	-0.6
Euro/Norwegian Krone	9.03	-0.5	-2.9	-3.2	-6.0	6.2	8.4	13.7	-5.4	-0.5
Euro/Danish Krone	7.44	0.0	-0.1	0.0	-0.3	0.2	-0.2	0.0	0.4	-0.3
Euro/Polish Zloty	4.45	3.4	2.1	1.5	4.5	-0.6	3.2	1.8	-8.6	12.6
Euro/Hungarian Forint	312.70	1.3	0.9	-0.3	-0.9	-0.3	6.5	2.1	-7.6	13.2
US Dollar/Yen	114.47	9.2	10.7	3.4	-4.9	0.5	13.7	21.4	12.7	-5.2
US Dollar/Canadian Dollar	1.34	0.2	2.5	2.6	-2.9	19.1	9.4	7.1	-2.7	2.3
US Dollar/South African Rand	14.10	4.6	-4.3	-10.3	-8.9	33.8	10.2	24.1	4.5	22.2
US Dollar/Brazilian Real	3.38	6.1	4.9	-6.3	-14.6	49.0	12.5	15.3	9.9	12.3
US Dollar/South Korean Won	1177.80	3.1	5.5	-1.0	0.2	7.5	4.1	-0.7	-8.2	3.4
US Dollar/Taiwan Dollar	31.90	1.2	0.5	-2.1	-2.9	3.8	6.1	2.7	-4.1	3.8
US Dollar/Thai Baht	35.71	1.9	3.1	-0.2	-0.9	9.5	0.6	6.9	-3.1	5.0
US Dollar/Singapore Dollar	1.43	3.1	5.2	4.1	1.1	6.9	4.9	3.4	-5.8	1.1
US Dollar/GB Sterling	0.80	-2.3	4.8	16.5	18.0	5.8	-5.9	1.9	4.6	-0.4
GB Sterling/South African Rand	17.63	6.8	-8.9	-22.5	-22.7	26.6	3.7	26.6	9.2	21.7
Australian Dollar/US Dollar	0.74	-3.0	-1.8	2.1	1.4	-10.9	-8.4	-14.2	1.6	0.1
New Zealand Dollar/US Dollar	0.71	-1.0	-2.3	4.7	3.7	-12.4	-5.0	-0.9	6.4	-0.1

Source: Thomson Reuters Datastream, all figures subject to rounding. Data as at 02 December 2016.

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