

WEEKLY INVESTMENT RESEARCH NOTES

Week ending:

04 October 2013

GENERAL OBSERVATIONS: Our Market Timing charts for both U.K. and U.S. are currently mixed. Our Momentum indicator has picked up on both charts but our Breadth indicator is negative. Hopefully the picture will clear soon. The uncertainty indicated here is likely due to investors concerns regarding the current lack of progress in the U.S. between the Democrats and Republicans over the federal budget and worries over debt obligations. The popular VIX indicator which is a measure of volatility in the market and often called the "fear index" just hit a three month high. Our longer term indicators for the major markets remain strong but many shorter term indicators have weakened. At times when equities struggle, other asset classes such as Bonds and/or Commodities often find favour but currently investment here is still difficult to recommend.

INVESTMENT SECTOR	Short	Long	COMMENTS:
BONDS:	↓	↓	Whilst the short term outlook for Bonds has improved, the potential for consistent positive investment returns over the longer term remains doubtful. When comparing Bonds against all other investment assets there are greater potential returns to be had by investing elsewhere.
UK Gilts	↑	↓	
UK Index Linked Gilts	↑	↓	
Global Bonds	↓	↓	
UK Corporate Bonds	↑	↓	
UK High Yield Bonds	→	↓	
UK STOCKS:	↓	↑	Despite a fall in price for the UK Market (notably in the Large Cap and Growth Sectors) the longer term outlook for the UK Market remains quite strong. The UK Smaller Companies sector remains the strongest sector in the UK Stockmarket by a significant margin.
UK Growth	↓	↑	
UK Income	↓	↑	
UK Large Cap	↓	→	
UK Mid Cap	↓	↑	
UK Small Cap	↑	↑	
OVERSEAS STOCKS:	→	↓	The outlook for Overseas stockmarkets appears mixed. On the one hand price trend has improved in the Far East and Emerging Markets whilst the trend has reversed in North America and Europe. The US Shutdown event last week between Obama and the Republican Party has not helped the markets and could add further volatility in the short term.
North America	↓	→	
Europe	↑	↑	
Japan	→	↓	
Asia Pacific	→	↓	
Emerging Markets	→	↓	
THE POUND:	↑	↑	The Pound has remained strong for several weeks though sold off late last week against most currencies. The Pound is now technically overbought and would not be surprised if the Pound were to move lower against the other major currencies.
Pound v US Dollar	↑	↑	
Pound v Euro	↑	↑	
Pound v Yen	↑	↑	
COMMODITIES:	↓	↓	Generally we remain negative on the outlook for Commodities despite some short term improvement in the price for Gold and Silver. We are less keen to invest here when one considers the volatility of the assets within this sector and remain underweight this category.
General Commodities	↓	↓	
Gold	↓	↓	
Silver	↓	↓	

INVESTMENT OUTLOOK - LEGEND

Strongly Positive.	↑
Positive.	↑
Neutral.	→
Negative.	↓
Strongly Negative.	↓

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