

WEEKLY INVESTMENT RESEARCH NOTES

Week ending:

11 October 2013

GENERAL OBSERVATIONS: The big news event late last week was the agreement between the Democratic and Republican leaders in Congress to start talks over the weekend to lift the debt ceiling and hopefully avert a US Default on Thursday this week. This caused Stockmarkets to rally strongly closing higher on the week. Since the start of talks stockmarkets remain flat awaiting a decision, though much of the price reflects the view that there will be a resolution.

Market breadth in both our US and UK Market charts remains negative whilst Momentum has picked up. Market sentiment remains neutral with most expecting that the crisis will be resolved. Elsewhere, the outlook for Bonds and Commodities in the longer term remains negative, with the Pound showing signs of some short term weakness.

INVESTMENT SECTOR	Short	Long	COMMENTS:
BONDS:	↓	↓	The outlook for Bonds in the short term remains mixed whilst on the longer term the outlook remains negative. There has been some improvement in Index Linked Gilts possibly due to fears that inflation will take hold and a short term improvement in High Yield Corporate bonds as the market factors in a "Risk On" approach.
UK Gilts	→	↓	
UK Index Linked Gilts	↑	↓	
Global Bonds	→	↓	
UK Corporate Bonds	↑	↓	
UK High Yield Bonds	↑	↓	
UK STOCKS:	↓	↑	Strength in the UK Mid Cap and Small Cap sectors remains evident. The outlook for UK Large caps remains neutral. This week we have seen an improvement in the short term for UK equities generally which has helped to turn the short term outlook from negative to neutral. Longer term outlook remains positive for all sectors apart from the Large Cap sector.
UK Growth	→	↑	
UK Income	→	↑	
UK Large Cap	→	→	
UK Mid Cap	↑	↑	
UK Small Cap	↑	↑	
OVERSEAS STOCKS:	→	↓	The outlook for Europe is positive in both the short and long term aided by recent strength of the Euro against the Pound. Asia Pacific and Emerging markets also improved this week (as did global markets generally) on the back of the decision by the US Congress to approve the lifting of the debt ceiling. Outlook for North America and Japan remains mixed.
North America	↓	→	
Europe	↑	↑	
Japan	→	↓	
Asia Pacific	↑	→	
Emerging Markets	↑	→	
THE POUND:	↑	↑	The Pound has been in a strong position since late July against most other currencies. Last week we commented on the fact that the Pound was technically overbought and we would not be surprised to see some weakness. This has happened and though the long term outlook remains strong, the short term outlook has turned negative.
Pound v US Dollar	↓	↑	
Pound v Euro	↓	↑	
Pound v Yen	↓	↑	
COMMODITIES:	↓	↓	Despite speculation that Gold would improve if the US debacle continued, the market sold off following the announcement that there could be a resolution. China's data on export growth also disappointed this week adding further gloom for the outlook on Commodities. The outlook for this sector remains negative across both time frames.
General Commodities	↓	↓	
Gold	↓	↓	
Silver	↓	→	

INVESTMENT OUTLOOK - LEGEND

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

Disclaimer

Financial Themes LLP is a directly authorised firm regulated within the UK under the Financial Conduct Authority [Registration Number 510065]. The content of this overview is intended as a guide on how we believe investment markets have performed. Our opinions are intended to serve merely as a guide to investors. Financial Themes LLP cannot accept any responsibility for any losses incurred should investors decide to use this data for their own purposes. Investors should note that investments can fall as well as rise and that past performance is no guarantee for future investment returns.