

WEEKLY INVESTMENT RESEARCH NOTES

Week ending:

18 October 2013

GENERAL OBSERVATIONS: Stockmarkets rallied this week on positive news that Republicans would approve a lifting of the US Debt ceiling. Our stockmarket breadth indicators both here in the UK and in the US improved this last week. Price Momentum also improved after hitting a low several weeks ago which could help to lift prices higher. Elsewhere we have noticed a general improvement as investors were willing to take on more risk. Performance in our own stockmarket continues to support Small and Mid Cap stocks over the FTSE 100. We believe the outlook for Commodities still remains weak. Corporate and High Yield Bonds accentuate the move to higher risk assets as Gilts fell back last week. The Pound rallied strongly as investors decided to sell the Dollar.

INVESTMENT SECTOR	Short	Long	COMMENTS:
BONDS:	→	↓	BONDS: The short term outlook for Bonds remains mixed. Gilts and Global (i.e. Sovereign) Bonds generally weakened as investors moved more towards a "Risk On" strategy helping Corporate and High Yield Bonds to gain as a result. Elsewhere the outlook for Index Linked Gilts remained flat. Longer term we still hold a negative outlook for Bonds in the belief that better returns can be had by investing elsewhere.
UK Gilts	↓	↓	
UK Index Linked Gilts	→	↓	
Global Bonds	↓	↓	
UK Corporate Bonds	↑	↓	
UK High Yield Bonds	↑	↑	
UK STOCKS:	↑	↑	UK Stockmarket: The outlook for UK Stocks looks good. Largely because the UK market has remained relatively strong when compared to other overseas markets, but also helped by the strong performance of the Pound which has favoured the Mid and Small Cap sector over and above the Large Cap stocks and when compared to investing overseas. We remain positive on this sector, particularly towards the small to mid cap sector. UK Income has also performed well and remains strong.
UK Growth	↑	↑	
UK Income	↑	↑	
UK Large Cap	→	↑	
UK Mid Cap	↑	↑	
UK Small Cap	↑	↑	
OVERSEAS STOCKS:	→	→	Overseas Stockmarkets: Our research gives a positive outlook for Europe over both time frames. We also note - see below - that the Euro appears to be strengthening against the Pound in the short term which could help add currency gains for Sterling investors. The outlook for Asia Pacific and Emerging Markets remain mixed. Japan looks poor whilst the US, after showing some signs of short term improvement, needs to convince the markets that the recent debacle can be resolved longer term.
North America	↑	→	
Europe	↑	↑	
Japan	↓	↓	
Asia Pacific	→	→	
Emerging Markets	→	→	
THE POUND:	↑	↑	The Pound: It should be noted that against other currencies such as the Australian Dollar and Swiss Franc the Pound is showing signs of weakness which could lead to more weakness generally. Against the Euro we have seen signs that the Pound may be losing ground in the shorter term. The Pound remains strong against the Dollar and Yen.
Pound v US Dollar	↑	↑	
Pound v Euro	→	↑	
Pound v Yen	↑	↑	
COMMODITIES:	→	↓	Commodities: Precious metals rallied a little last week but we see little evidence in the longer term that Commodities are worth considering at this time.
General Commodities	→	↓	
Gold	↓	↓	
Silver	↓	↓	

INVESTMENT OUTLOOK - LEGEND

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

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