

## WEEKLY INVESTMENT RESEARCH NOTES

Week ending:

20 December 2013

**INTERPRETATION:** Below is a summary of our research on the outlook for various asset classes based on Short - Long Term time frames for Sterling based Investors. The RelValue indicator gives an indication of how much "Relative Value" can be achieved by investing in this asset at this time when compared to all other available assets. General Comments apply to asset classes.

**GENERAL OBSERVATIONS:** The big factor this week was the Fed's decision to keep interest rates low for longer than previously expected whilst beginning to reduce their bond buying program. Global stockmarkets rallied on this news. Index Linked Gilts suffered as most interpreted this as a sign that inflation is well under control. Bonds continue to under-perform as does Commodities. The Pound is showing some signs of weakness shorter term, which could favour more overseas equity exposure.

INVESTMENT SECTOR	Short	Long	RelValue	GENERAL COMMENTS:
<b>BONDS:</b>	↓	↓	↓	<b>BONDS: Poor Value - best to avoid for now</b>
UK Gilts	↓	↓	↓	Poor relative value
UK Index Linked Gilts	↓	↓	↓	Poor relative value
Global Bonds	↓	↓	↓	Still poor relative value
UK Corporate Bonds	↓	→	→	Outlook is neutral to negative
UK High Yield Bonds	↑	↑	↑	Best of the category, relative value is improving
<b>UK STOCKS:</b>	↓	↑	↑	<b>UK STOCKS: Small Caps still continue to perform</b>
UK Growth	→	↑	↑	Short term improvement longer term relative value
UK Income	→	↑	→	Short term improvement better longer term
UK Large Cap	↓	→	→	Still the weakest sector amongst UK Equities
UK Mid Cap	↑	→	→	Short term improvement, longer term neutral
UK Small Cap	↑	↑	↑	Strongest UK sector positive outlook good relative value
<b>OVERSEAS STOCKS:</b>	↓	→	↓	<b>OVERSEAS: Avoid Japan, Asia and Emerging Markets</b>
North America	→	↑	↑	Generally strong though not helped by Pound strength
Europe	→	↑	↑	General improvement better longer term relative value
Japan	↓	→	↓	Continued Yen weakness gives a negative outlook
Asia Pacific	↓	↓	↓	Poor outlook - better opportunities elsewhere
Emerging Markets	↓	↓	↓	Poor outlook - better opportunities elsewhere
<b>THE POUND:</b>	↑	↑	↑	<b>THE POUND: Short term weak, stronger longer term</b>
Pound v US Dollar	↓	↑	↑	Short term weakness longer term relative value
Pound v Euro	↓	↑	↑	Short term weakness in the Pound v Euro
Pound v Yen	↑	↑	↑	Significant Yen weakness - further strengthens the Pound
<b>COMMODITIES:</b>	↓	→	↓	<b>COMMODITIES: Gold &amp; Silver still poor.</b>
General Commodities	→	→	→	Poor outlook - better opportunities elsewhere
Gold	↓	↓	↓	Very poor outlook across all readings
Silver	↓	↓	↓	Very poor outlook across all readings

### INVESTMENT OUTLOOK - LEGEND

Strongly Positive.



Positive.



Neutral.



Negative.



Strongly Negative.



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