

## WEEKLY INVESTMENT RESEARCH NOTES

Week ending:

31 January 2014

**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 event this week was the Fed's decision to further reduce liquidity in their QE program which hit stockmarkets, as investors took fright and moved to lower their risk in a "Flight to Safety" which saw Bonds increase shorter term. In the Currency markets the Yen and the US Dollar gained significantly against other currencies as further risk was removed by investors. Gold and General Commodities held up on a "relative" basis but still looks poor longer term.

INVESTMENT SECTOR	Short	Long	RelValue	GENERAL COMMENTS:
<b>BONDS:</b>	↑	→	→	<b>BONDS: "Flight to Safety" is driving Bonds higher</b>
UK Gilts	↑	→	→	Improvement due purely to "Risk Off"
UK Index Linked Gilts	↑	→	→	As per Gilts rising due to "Risk Off"
Global Bonds	↑	↓	↓	Again "Risk Off" improvement plus ST Pound weakness
UK Corporate Bonds	→	↑	→	Flat this week and may move lower shorter term
UK High Yield Bonds	↓	→	→	Now weakest bond sector due to risk aversion
<b>UK STOCKS:</b>	↓	→	↑	<b>UK STOCKS: General weak shorter term</b>
UK Growth	↓	→	↑	Short term correction whereas long term better value
UK Income	↓	→	↑	Relatively holding up, due to defensive qualities
UK Large Cap	↓	→	↑	Impacted by weak overseas markets
UK Mid Cap	↓	→	↑	Ranked lowest in the short term
UK Small Cap	→	↑	↑	Short term flat better longer term relative value
<b>OVERSEAS STOCKS:</b>	↓	↓	↓	<b>OVERSEAS: Avoid Japan, Asia and Emerging Markets</b>
North America	↓	→	↑	Better relative strength in US smaller companies
Europe	↓	↓	→	Negative short term, beware Euro weakness
Japan	↓	↓	↓	Poor outlook but Yen strength against GBP may help
Asia Pacific	↓	↓	↓	Poor outlook to be avoided
Emerging Markets	↓	↓	↓	Worst sector across global stockmarkets
<b>THE POUND:</b>	↓	→	→	<b>THE POUND: Expect Yen and US Dollar strength</b>
Pound v US Dollar	↓	→	→	Dollar strength on QE announcement
Pound v Euro	→	→	↑	Key point is combined Euro and GBP weakness
Pound v Yen	↓	→	→	Yen continues to rally due to QE announcement
<b>COMMODITIES:</b>	↑	↓	↓	<b>COMMODITIES: Still a poor sector best avoided</b>
General Commodities	↑	↓	↓	Short term rally though still poor longer term
Gold	↑	↓	↓	Short term positive due to weakness elsewhere
Silver	↓	↓	↓	Avoid this asset.

### INVESTMENT OUTLOOK - LEGEND

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

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