

WEEKLY INVESTMENT RESEARCH NOTES

Week ending:

07 February 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 UK, Europe and the US Stockmarkets ended the week just nudging into positive territory after a poor start. Japan continued to disappoint falling along with Asia and Emerging Markets. Bonds improved as investors moved to lower their risk. Gold also improved on the week in response to further volatility in equity markets. Most analysts will be watching this week the new Chairman of the Federal Reserve, Janet Yellen, give her first report to Congress on the health of the US economy.

INVESTMENT SECTOR	Short	Long	RelValue	GENERAL COMMENTS:
BONDS:	↑	→	→	BONDS: "Flight to Safety" is driving Bonds higher
UK Gilts	↑	→	→	Improvement due simply to a "Flight to Safety"
UK Index Linked Gilts	→	→	→	Outlook is flat across all time frames
Global Bonds	↑	↓	↓	"Risk Off" plus Short term Pound weakness has helped
UK Corporate Bonds	→	↑	→	Flat outlook which may move lower shorter term
UK High Yield Bonds	↓	→	→	Now weakest bond sector due to risk aversion
UK STOCKS:	→	→	↑	UK STOCKS: General weak shorter term
UK Growth	→	→	↑	Short term improvement, good long term value
UK Income	↑	→	↑	Relatively holding up, due to defensive qualities
UK Large Cap	→	→	↑	Neutral short term not helped by weak overseas markets
UK Mid Cap	↑	→	↑	Volatile in the short term, up this week, down last week
UK Small Cap	↓	↑	↑	Short term weakness better longer term relative value
OVERSEAS STOCKS:	↓	↓	↓	OVERSEAS: Avoid Japan, Asia and Emerging Markets
North America	↓	→	↑	Better relative strength in US smaller companies
Europe	→	↑	↑	Beware Euro weakness improved prospects longer term
Japan	↓	↓	↓	Poor outlook but Yen strength against GBP may help
Asia Pacific	↓	↓	↓	Short term respite, poor outlook to be avoided
Emerging Markets	↓	↓	↓	Still worst sector across global stockmarkets
THE POUND:	↓	↓	↑	THE POUND: Expect Yen and US Dollar strength
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
COMMODITIES:	↑	↓	↓	COMMODITIES: Still a poor sector best avoided
General Commodities	↑	↓	↓	Short term rally though still poor longer term
Gold	↑	↓	↓	Short term pick up due to weakness in Emerging markets
Silver	↓	↓	↓	Avoid this asset. Poor outlook.

INVESTMENT OUTLOOK - LEGEND

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

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