

Equities higher, bonds lower as reflation trade re-emerges

Weekly Snapshot



World Equities
Oil



Sovereign Bonds
Gold
Copper
Corporate Bonds

Week in Review

- Global **equities enjoyed a positive week** as Hurricane Irma dissipated and the 'reflation trade' gained a new lease of life following solid data. **August inflation** figures for the US surprised to the upside, **jumping 0.4%** (the biggest one-month gain since January) which lifted the year-on-year figure to 1.9%.
- The inflation data sent **expectations of a further US rate rise this year higher**, with futures implying an over 50% probability of a move in 2017, up from 30% just a week earlier.
- A second North Korean missile launch over Japan did little to dampen the mood as the **S&P 500 hit 2,500 for the first time**, whilst European equities also moved higher led by bank stocks. **Sterling strengthened** over the course of the week as the Bank of England suggested an interest rate increase may materialise in the coming months. This, coupled with positive inflation data, sent sovereign bond prices on both sides of the Atlantic lower.

	Index	1 Week Return 08.09.17 to 15.09.17		Year to Date Return 31.12.16 to 15.09.17	
		Local Currency %	Euro %	Local Currency %	Euro %
Global (euro)	FTSE World (total return)	1.7%	1.7%	2.8%	2.8%
US	S&P 500	1.6%	2.4%	11.7%	-1.4%
Europe	FTSE Europe Ex. U.K.	1.3%	1.3%	8.4%	8.4%
Ireland	ISEQ	-0.1%	-0.1%	2.4%	2.4%
UK	FTSE 100	-2.2%	1.5%	1.0%	-1.9%
Japan	Topix	2.9%	0.8%	7.9%	0.3%
Hong Kong	Hang Seng	0.5%	1.2%	26.4%	10.7%
Bonds	Merrill Lynch Euro over 5	-0.9%	-0.9%	-0.5%	-0.5%

The **global index** had a positive week, returning 1.7% in euro terms, led higher by the US.

Gold (-2%) was negative over the week, as 'risk on' sentiment weighed on the safe haven commodity. **Oil**

had its second weekly gain in a row, up over 5% as US demand and refinery activity recovered post Hurricanes Irma & Harvey.

The influential **US ten year bond yield** closed at 2.20%, up from

2.05% a week previously (bond yields move inversely to prices). The **German equivalent** stood at 0.43% from 0.31% a week ago.

The **EUR/USD** rate stood at \$1.19 and **EUR/GBP** was at £0.88.

The Week Ahead

Wednesday 20 September	Thursday 21 September	Friday 22 September
No change in policy is expected when the US Fed meets, although the subsequent statements will be closely watched for any indication of future policy.	The Bank of Japan meets, where similar to their US counterparts, no change in rates or policy is expected.	Eurozone manufacturing and services PMIs go to print, where the key gauges will be watched for further signs of economic improvement.

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