



CAMBRIDGE  
INVESTMENTS LIMITED

## THE CAMBRIDGE WEEKLY

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Source: hedgeye.com, Magic Fairy Dust 18/6/2019

### Battle of the 'doves'

There were relatively few economic data or corporate announcements this week. The US came within a hair's breadth of clearly carrying out an act of war against Iran.

And the global stocks rose 2.25% during this week, with the US S&P500 index finishing Thursday back at its all-time high.

Markets have regained a form of optimism; the combination of low growth expectations but a renewed confidence that the central bank gods will act and that their powers are undimmed.

Markets took a turn for the better on Tuesday when Mario Draghi gave his keynote address at the European Central Bank Conference in Sintra, Portugal. It was another version of the "whatever it takes" speech;

For the markets, his key words were:

- *"The (European) Treaty requires that our actions are both necessary and proportionate to fulfil our mandate and achieve our objective, which implies that the limits we establish on our tools are specific to the contingencies we face.*
- *If the crisis has shown anything, it is that we will use all the flexibility within our mandate to fulfil our mandate — and we will do so again to answer any challenges to price stability in the future"*
- *"In the absence of improvement, such that the sustained return of inflation to our aim is threatened, additional stimulus will be required"*

- *“In the coming weeks, the (council) will deliberate how our instruments can be adapted commensurate to the severity of the risk to price stability”*
- *“Our medium-term policy aim: an inflation rate below, but close to, 2%. That aim is symmetric, which means that, if we are to deliver that value of inflation in the medium term, inflation has to be above that level at some time in the future.”*

It appears that Draghi may be trying to bounce the ECB’s governing council into making a *conditional* commitment to easing policy further – including a resumption of asset purchases – based on the inflation outlook. That decision (whether that condition is met and any subsequent action) could easily fall to his successor, who is due to arrive later this year.

Also, comments (sourced from other ECB members immediately after the speech) suggested that his tone was significantly more forceful than had been signalled at the ECB meeting a week ago, where their debate took place.

Nonetheless, if they felt they were being bounced into an uncomfortable position, the push-back was muted. Markets did not see Draghi as acting out-of-turn; European equities rallied hard while bond yields went to further extremely low yields.

The Euro reacted as well, falling over a percent. The comments about easy monetary policy were enough to draw a Trump tweet about currency devaluation.

The BoJ also signalled a willingness to remain easy in their meeting and yields fell, although the equity markets received less support as the Yen remained strong.

- Wednesday brought us the Federal Open Markets Committee verdict. JP Morgan put it thus (in a precis):
- *“Today’s Fed meeting delivered on our expectations for stable policy rate while also signalling for a near-term cut. The statement removed the notion of “patience,” noted deteriorating inflation compensation, highlighted increased uncertainty, and suggested it would act if needed based on incoming data. Dissent came from President Bullard, who voted for a cut.*
- *Powell, in his briefing, noted that there is not enough in the data to warrant a cut currently and the new uncertainties on the scene (read: trade war) are too recent to know how it will play out. The Summary of Economic Projections revealed little change on the median growth outlook but roughly 1/4%-point lower headline and core inflation this year and a touch lower next year.*
- *The Fed dots moved down as expected and now the average looks for a full cut by next year and a hike in 2021. However, the distribution shifted by more, with seven members looking for two cuts this year, policy on hold through next year (and five members expecting this to last through 2021). This is a now large dovish minority. We have pulled forward our call for cuts and now see a 25bp cut in July and another in September.”*

In the “dot-plot”, there was another clue about how the Fed currently see their long-term policy in relation to the economy’s growth. They moved the long-term rate expectations down without moving

the long-term growth expectations – a signal that they see stability being achieved by making bond returns even less attractive.

On the other hand, there was no counterpart to Draghi’s implication regarding asset purchases. Markets behaved as if the Fed had committed to buying more bonds but that was nowhere to be seen in any comments.

Like in Europe, bond yields fell sharply, equities rallied, and the US Dollar fell (pushing the Euro back up).

The major central banks are being about as dovish as the current circumstances allow (with the exception of the UK, as we mentioned last week). As mentioned earlier in relation to the ECB members, with policy expectations at the truly dovish end of things, the hawks may start screeching especially if there is a positive tinge to economic data in the next few weeks.

And there’s good reason to think that the data is not going to get worse. Indeed, the dive in inflation expectations reversed sharply this week (as priced by bond markets), as did hard and soft commodities.

## Goldman Sachs Commodities Index



The economic data in Europe showed some positivity, with the “flash” business surveys being stable overall (Germany continued weak, France continued its bounce, the periphery remained quite buoyant). US home sales showed strength in line with the fall in mortgage rates.

The US and Chinese helped on Tuesday, announcing that preparations are underway for Trump and Xi to meet at the Osaka G20 meeting next week. With Xi meeting Kim Jung-Un this week, the sense that the trade issue may also be resolved certainly added to the jollity. Even the flaring of Middle-Eastern trouble failed to concern markets, since it will have relatively little immediate impact on global trade.

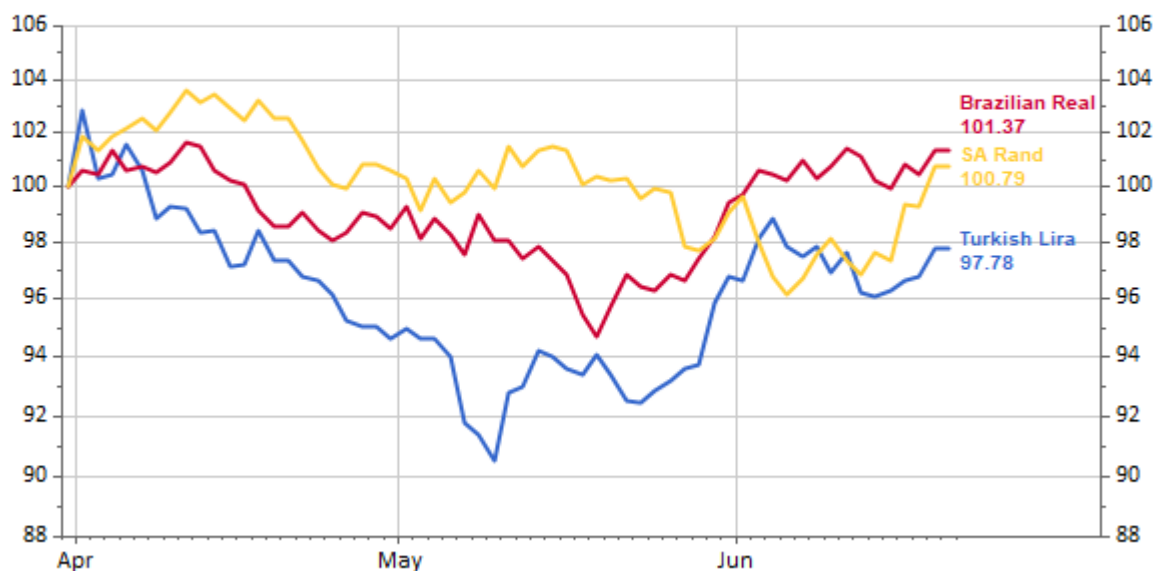
To repeat: markets have regained optimism amid low growth expectations due to a confidence that the gods of money and politics will act quickly and that their powers are undimmed.

There is probably a limit to how far markets can go in the next week ahead of the G20. The run of important economic data begins at the start of July, as does the H1 earnings data. There may be some quarter-end repositioning, but it feels as if the bearish investment community (according the May Bank of America institutional investor survey, as bearish as in 2016) has been forced into quite a sharp rebalancing already.

Another support for markets is the relative positivity in emerging markets, helped particularly by a

## Selected Global Emerging Market Currencies

Indexed vs US Dollar



Source: Factset, Tatton I/M

weakening dollar.

The easing from developed markets has pushed credit yields down sharply, a huge benefit to funding rates for emerging market nations, allowing them also to respond by lowering local currency rates without fearing capital flowing away from them.

So, market sentiment has swung from bearish to bullish, in itself a help to the global economy. Everything else being equal, that will help global growth. But before we get ahead of ourselves, let's remember that one of the issues has been the increasing volatility in the economies. Underlying base level aggregate demand is anaemic, and high debt levels continue to encourage a mild pay-down of that debt which reduces further medium-term growth. That means that profit growth will also be anaemic especially if margins are under pressure from a pick-up in input costs. More on this in the article below.

And then there's the unremitting confrontational approach taken by the US administration. While we may be about to get some respite in respect of China, the Trump approach to 2020 election requires external and internal enemies. Europe could well be the next target – viz the Trump tweet about Draghi's "unfair" speech on Tuesday. Again, more on the start of the US election cycle below..

### Trump Round 2?

20,000 Donald Trump fans turned out this week in Florida to see the him announce his re-election campaign. Back in one of the key battleground states of his 2016 victory, fans flocked to listen to his 76-minute speech in what has become the signature Trump rally. Not only did the event have the look and feel of the rallies that invigorated Trump supporters in 2016, but the speech itself sounded as though it had been plucked from his 2016 campaign – sprinkled with a heavy dose of self-congratulation on his time in office so far.

Trump gave very little away regarding new policies in his rally on Tuesday, sticking to those that resulted in his election as President in 2016. It will be interesting to see how these policies develop, and how his electoral ambitions impact the policies he seeks to implement over the next 18 months.

His chosen themes were about his fighting prowess. Attacks on 'Fake news' and Hilary Clinton both featured, both getting the desired reactions from the crowd. The Wall was also a major talking point, again promising 400 miles of wall being built next year. He spoke of rebuilding the military, sanctions for Russia and tariffs for China. Trump has apparently already 'made America great again'. The mission statement (and campaign slogan) now is: "Keep America Great".

But regardless of what he tells his fans, Trump faces an uphill battle to remain in office. Approval ratings (recently at 42.5%) and polls (one conducted recently by the Washington Post suggest that around 54% voters would definitely vote against him and just 34% definitely for) suggest he is one of the most unpopular presidents in history. No president with even comparable approval ratings has ever been re-elected. Of course, the Trump campaign themselves are quick to dismiss the importance of Polls. Naysayers continually pointed to Trump's low polling in the 2016 campaign; in 267 polls by major surveyors and newspapers between July and November 2016, 217 had Clinton ahead (81%).

Yet Trump won the presidency with one of the worst ratings in history, coming up against a candidate as unpopular as himself – showing that ratings should only be used in relative terms. His attacks on his opponent proved successful. But if he plans on using this tactic again, we probably will not see the campaign start in earnest until the 2020 Democratic nominee is selected. On that front, Trump could be buoyed by a fiercely contested race within the democratic party, which could sow internal division.

Incumbent presidents have an advantage especially if the state of the economy is on a healthy trajectory. If the election were today rather than in 17 months' time, he'd be in a great position. Unemployment is at its lowest in 51 years (3.6%) and the US economy racked up impressive growth over his first two years in



office (though this has waned recently).

Tax cuts in December 2017 provided an initial boost to the stock market, something Trump himself has raved about, calling it “the biggest tax cut in history”. By many measures this is incorrect, even falling behind Obama’s 2012 cut in inflation-adjusted dollars. But nevertheless, the cuts do seem to have had some positive economic impact. The extent of the benefit is not entirely clear however, as a large chunk of the tax savings benefitted shareholders more than employees or customers of the affected businesses. In 2018, companies spent a record \$1.1tn to buy back their own stock and as many as 84% of companies made no hiring or investment changes based on tax cuts. Bloomberg estimates that around 60% of corporate tax savings were going to shareholders, with just 15% to the employees.

He will face some stern challenges in this period. One of the most significant of these will be the budget for the next fiscal year, due to be signed off at the end of September. In the normal budget process, Congress approves funding by 30th September for the following fiscal year. When that doesn't happen, it enacts a continuing resolution, which keeps funding for the government departments the same as the previous fiscal year for a certain period.

If Congress cannot even agree on that, it forces a shutdown. This is what happened in December and January, when disagreement about funding for nine different federal agencies forced a 35-day shutdown. It cost the economy an estimated \$11bn and lowered economic growth by 0.5%, impacting 3% of the workforce directly. 52% of those polled blamed the President for the lockdown.

This year sees the requirement to pull together the budget for 2020. This is a complicated task, given the fierce opposition between the Republican and Democrat parties. The Democrats are seeking more non-defence spending, while Trump wants to increase defence spending and make cuts elsewhere. Another area of concern is the need to increase the debt ceiling, increasing the amount the US can borrow, so that it is able to pay its short-term commitments and not risk default on its debt. On this front however, there seems to be more agreement. The Treasury said lawmakers from both parties agreed that they needed to raise the debt ceiling.

If the two parties cannot come to an agreement on the budget (a strong possibility, given Trump's demands for money for a wall and focus on defence) there is a risk that spending across federal agencies will be cut. A continuous resolution would be put in place post September 30th if no agreement is made, but if a compromise isn't made there is a danger that another government shutdown could occur. This puts the president in an interesting situation. His very nature is to push to get his own way, and to disrupt and to change his approach and opinion late in the day if things are not going his way.

However, with him facing lots of criticism for the last government shutdown and with the looming re-election campaign, we may find a more negotiable Donald Trump, trying to find an agreement to prevent a government shutdown. But with the unpredictable nature of President Trump, we should be very aware of the possibility of a shutdown and be mindful of any impacts this could have on the US economy, as seen at the beginning of 2019.

Economic nationalism was and is seen as a winning strategy for Trump (especially by his previous campaign strategist, Steve Bannon – and he's still likely to be involved behind the scenes). The president's Democrat opponents have moved since the last election to accepting the premise but find it really difficult to be seen as fighters for the outcome and are easily pushed into qualifying their message for fear of being seen as racist. So, we should expect that battles will be ongoing right up to the election.

However, we could be about to witness a shift in Trump's primary international target.

After announcing talks were to occur with President Xi at the G20 meeting in Japan, there seems to be a softening in the rhetoric towards China, and both sides seem to be interested in a trade deal. On the other hand, this could result in fresh attacks (in the form of one of his infamous tweets) against the ECB and particularly Mario Draghi, after Draghi announced that stimulus from the ECB by way of easing monetary policy would be available if the eurozone economy does not improve. Trump stated that actions like this make it "unfairly easier for them to compete against the USA", claiming that they "have been getting away with this for years, along with China and others.". Whether this is a direct attack on Europe or a strong hint to The Fed to lower interest rates remains to be seen. But it should make Europe be wary, given the more precarious position it finds itself in, it may simply not be able to 'fight back' in a full-blown currency war.

Unfortunately, economic battles can spill over into actual battles. The rapid rise in tensions in the Middle East presents a very different issue for Trump. While he has not been afraid to comment and criticise particular nations, he also hasn't committed to an actual war to date (he did approve strikes in Syria, but it was never going to draw the US into the ongoing conflict).



Historically, external conflict is a huge negative pressure for sitting presidents, always hampering approval ratings. In 2016 Trump stated that he saw the nation's role as peacekeeper, and as a provider of (nuclear) deterrents against adversaries like North Korea.

From the moment he stepped into his presidency he has upped Defence spending (\$54bn increase for fiscal year 2018), claiming he wants to fight terrorism, aiming to improve troop readiness and build new ships and planes, seemingly more for war than previous presidents may have been.

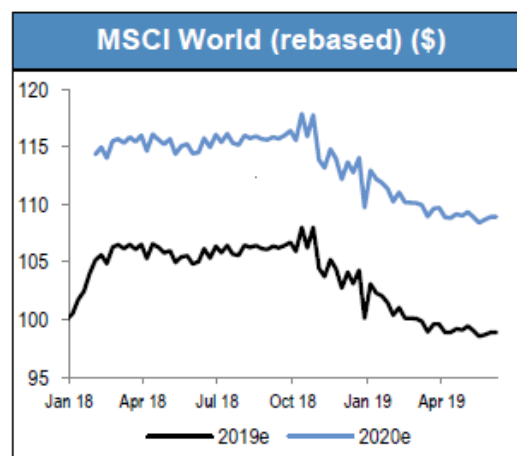
This week has seen him set the bombers out to strike Iran on the advice of Bolton and Pompeo, only to call them back. He'll face criticism from both the hawks for climbing down and from the doves for starting in the first place.

What we do know is that the next 18 months are unlikely to be plain sailing. Trump the fighter is his chosen character so he's likely to pick many more fights before the election rolls around. Predicting who it will be with or how it will end is an entirely different proposition.

### Company earnings continue to feel the squeeze

At the mid-point of the year, it seems an appropriate juncture to review the outlook for company earnings in 2019. It has been well publicised that company margins are under pressure. Globalisation has supported margins for decades, particularly for US companies, but now protectionism, rising wages/input costs and the waning impact of last year's fiscal stimulus pose a risk to peak margins.

The fears that arose over monetary tightening and slowing global growth towards the back end of last year have seen analysts revise their earnings forecasts meaningfully lower for 2019. In US dollar terms, earnings expectations for the calendar year are now relatively flat.



Source: IBES, DataStream

In addition to this, trade tariffs have continued to weigh on business sentiment, as evidenced by the slump in global manufacturing PMI to 49.8, its lowest point since 2012. The G20 meeting later this month could pave the road to resolution for the US-China trade war. If not, a drawn-out dispute will likely cause

further disruption to global supply chains and business investment, which will feed through to weaker growth.

The impact of the trade dispute is likely to be seen in this quarter's earnings release when US companies report in July. Analysts are forecasting a decline in earnings of -2.5% for the past 12 months. If this number proves correct, it will be the first time that S&P 500 earnings have shrunk for two straight quarters since 2016 Q1 and Q2. If companies beat expectations by their usual amount, it will turn that negative into a slight positive, but earnings growth will still be minimal. Companies have also been chipping away at expectations ahead of reporting season. According to FactSet, of the 112 that have issued guidance this quarter, 87 have issued negative guidance on their expected earnings. This is 8% more than the 5-year historical average. Analysts see a similar story in Q3, with flat earnings and 4% revenue growth indicating margin pressures will remain. However, they are more positive on earnings in Q4, where they are predicting growth in the high single digits.

The semiconductor industry has been badly affected by these trade tensions, leading to earnings downgrades in Asian equities. However, due to the complex nature of global supply chains, the problem extends beyond Asia. FactSet noted that S&P 500 companies that derive more than 50% of their earnings from outside the US are expecting to see a 9.3% drop in Q2 earnings. On the revenue side, companies with an international bias are expected to see a decline of 1.2%, while domestic-facing companies are projected to see a sales gain of 6%. Apple, which in 2017 saw 57.9% of its business come from outside the US, is expected to see a decline in earnings of 10% YoY when it reports this quarter. Meanwhile, Intel, which generates 80% of its revenue overseas, is expected to see its profits fall by 14.4% compared to the same period last year.

The retail sector is another area that may come under strain. In the current low inflationary environment, it is unlikely that most clothing brands will have the pricing power to offset cost increases from an escalation in the trade dispute due to the competitive nature of the space. At the same time, the industry is quite labour intensive, which will squeeze margins further as wage pressures build.

Analysts are more upbeat for earnings growth in the energy sector, expecting a 2.3% YoY increase in the second quarter of the year. However, earnings in the sector remain well below their 2008 peak, after being wiped out during the oil price collapse in 2014/15. With oil prices remaining well below its pre-2014 level, the profits of energy companies have been subdued. Utilities are also expected to report relatively high earnings growth.

Despite the relatively muted outlook for company earnings in 2019, equity markets have continued to push higher, with Wall Street closing at an all-time high on Thursday. Equity markets have been more volatile but have largely shrugged off the trade issues and shrinking margins, helped by the more dovish rhetoric from the Federal Reserve. When earnings growth slows, investors tend to flock towards companies with structural tailwinds that they perceive can sustain earnings growth. If this benign earnings growth environment persists, it may see growth stocks continue to outperform. Technology and communication services companies have been popular choices for investors, due to their disruptive nature and strong business models.

However, one needs to be cognisant of the price paid for these stocks: if earnings momentum in these stocks starts to look more ordinary than their valuations will seem more stretched. As we saw last year,

these companies are vulnerable to bouts of profit taking during risk-off periods for markets. In addition, some of them face idiosyncratic issues, such as increased government scrutiny. Therefore, we believe investors would be better placed with a diverse range of equities in portfolios rather than focussing on these growth stocks alone.

### Is Facebook's Libra Coin the future of money?

This week, Facebook announced the 2020 launch of Libra coin – a blockchain-based digital currency they were long rumoured to have in development. The project promises to create a digital system of payments without reliance on traditional banks, and has already received significant industry support from some of the world's major payment, technology and mobile companies.

Although it bears the cryptocurrency label, Libra is being called a “stablecoin” whose value will not fluctuate too much. Aside from currency stability, with Libra Facebook also plans to address one of the biggest problems facing most cryptocurrencies: transactional limits. Bitcoin, for example, has an upper limit on its total supply (a maximum of 21 million BTC) and must be mined by individual users – using huge amounts of computing power – which limits the currency's use in the wider economy.

Libra, on the other hand, requires no mining and can be bought and used by consumers on the relevant app. It will not be pegged to any particular currency. Instead, Libra's stability will be ensured (for now at least) by a pool of currencies and low risk assets stored around the world. So far, 28 companies, ecommerce groups and even NGOs have pledged their backing and plan to integrate Libra into their services, including: Visa, Mastercard, PayPal, eBay, Lyft, Spotify, Uber and Vodafone. But Facebook hopes that 100 groups will have joined before the currency launches next year – all contributing at least \$10m and helping to promote mainstream adoption.

Bitcoin can be viewed as a form of ‘digital gold’, with a similar finite supply. In this sense, Bitcoin could be thought of as more of a store of value (although that value can fluctuate wildly). It's transactional use therefore today is more limited given the shifting values. But Libra shares many aspects to a traditional fiat currency like the Pound or US dollar. It's relative stability is more useful when buying goods or services: 1 Libra could equal £1 for example.

Just from looking at the current list of backers, it is plain to see that this is a project aimed at the mobile generation. On the launch, Facebook claimed their ambitious plan would help the 1.7bn people around the world without a bank account, who would now be able to spend and transfer money using only their phones. Indeed, Libra – whose design is said to incur close to zero transaction fees for spending, storage and transfers – is partly aimed at the \$61.3bn market for cross-border remittances.

As such, the digital currency will no doubt be a concern for traditional banks. Facebook promises to do away with slow and expensive transactions, undercutting banks' transaction fees (particularly internationally). Banks have faced technological disruption before: currency swapping apps such as Monzo and Revolut, as well as investment newcomers such as ourselves. But this is no plucky start-up. An all-inclusive digital platform with backing and savvy of some of the biggest tech companies in the world could be a hammer blow to the banking industry. Facebook has a huge captive audience of 2.4bn active monthly

users worldwide, for whom using their money could become the press of a button. It challenges the last bastion of monopoly for traditional banks: customer deposits.

Facebook have no doubt taken inspiration from their Chinese counterparts WeChat – the app for everything which has rapidly become a core component of everyday life in the world’s most populous nation. But Libra is even more ambitious than that. The currency itself will use an open-source blockchain that will run across a network of ‘nodes’ that will validate transactions. Facebook says it plans to move to a fully decentralised network – akin to the kind used for Bitcoin – within five years. But initially, each node will be run by founding members of the Libra association, the currency’s backers.

The result is a closed system, with Facebook essentially acting as Federal Reserve for the global currency. That thought is likely to ring some alarm bells, considering Facebook’s track record in recent years. As the FT points out, it is ironic that Facebook would use cryptocurrency – often associated with volatility and illicit activities in the popular consciousness – to clean up its image. The tech giant has spoken to the US Commodity Futures Trading Commission to discuss whether Libra falls within its remit, but already US politicians have questioned whether the project should be allowed to go on unchecked.

The big problem for regulators here – as with many cases when Cryptos or big tech are involved – is that the product on offer is too new and opaque to come under the remit of pre-established rules. The FT Alphaville’s Izabella Kaminska takes the cynical view that the Libra project is Facebook’s way of styling itself as a new Fed – only with far wider jurisdiction and without government oversight. She writes “It’s a glorified exchange traded fund which uses blockchain buzzwords to neutralise the regulatory impact of coming to market without a licence as well as to veil the disproportionate influence of Facebook in what it hopes will eventually become a global digital reserve system.”

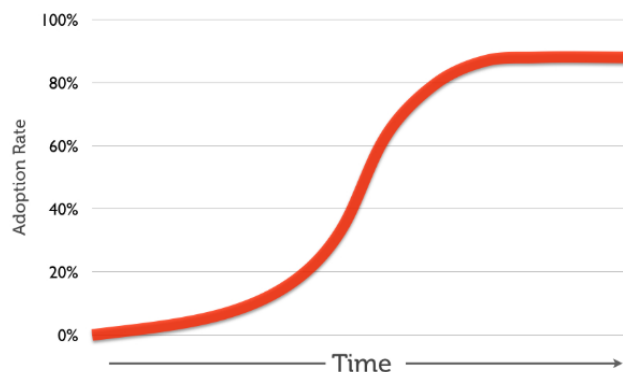
We perhaps would not go quite that far, but it is likely that Libra will be a headache for banks and regulators across the globe. Some have argued that the rise of cryptocurrencies is itself a reaction to the loss of control and devaluation of money from central banks since the financial crisis. From the central banks’ and regulators’ perspectives, Libra is arguably even worse than standard cryptocurrencies: not only is the currency not under the control of authorities, it’s under the control of a private organisation, whereas Bitcoin has no singular point of control.

Thus, it’s no surprise that, today (Friday 21st June), Mark Carney told the BBC: “It has to be safe, or it’s not going to happen.... We, the Fed, all the major global central banks and supervisors, would have direct regulatory (oversight).”

Central bankers in France and Germany said Facebook should expect scrutiny in a separate meeting.

We recently wrote that politicians around the globe – and in the US in particular – are turning against Silicon Valley, viewing many of their practices as monopolistic and unhealthy. From a political point of view, the announcement of Libra is likely to only increase the scrutiny of big tech further.

### — S-Curve Adoption Model



Source: Wikipedia

It has been a volatile ride for Bitcoin and other blockchain crypto currencies since their launch a decade ago. They have seemingly moved from a small libertarian project to wider general awareness, but their impact and use in daily life has so far been rather limited. Libra – or something like it – might represent the next evolution of money and the clout of the 28 founding members may help provide an environment which encourages mass adoption as can be seen from the typical S-Curve adoption model.

Time and again we have seen big tech sweep through different industries and cause disruption to whatever it touches. It makes sense that money and traditional banking would be its next target. How banks and more importantly governments respond will be crucial.

### Global Equity Markets

MARKET	FRI, 16:30	% 1 WEEK*	1 W	TECHNICAL
FTSE 100	7407.5	0.8	61.7	→
FTSE 250	19324.6	1.1	206.3	→
FTSE AS	4045.1	0.9	34.3	→
FTSE Small	5597.6	0.3	14.3	→
CAC	5528.3	3.0	160.7	→
DAX	12339.9	2.0	243.5	→
Dow	26821.4	2.8	731.8	→
S&P 500	2955.5	2.4	68.5	→
Nasdaq	7739.1	3.5	260.0	→
Nikkei	21258.6	0.7	141.7	→
MSCI World	2183.4	2.5	52.4	→
MSCI EM	1053.8	3.8	38.7	→

### Global Equity Market - Valuations

MARKET	DIV YLD %	LTM** PE	NTM*** PE	10Y AVG
FTSE 100	4.8	17.5	12.9	13.3x
FTSE 250	3.4	24.6	13.5	14.1x
FTSE AS	4.6	18.6	13.1	13.4x
FTSE Small	3.6	-	17.2	14.1x
CAC	3.3	18.5	14.5	13.4x
DAX	3.2	16.3	13.5	12.6x
Dow	2.2	17.1	16.7	14.8x
S&P 500	1.9	19.3	17.8	15.9x
Nasdaq	1.0	24.5	21.7	17.9x
Nikkei	2.2	15.8	15.2	18.3x
MSCI World	2.5	18.3	16.4	15.2x
MSCI EM	2.8	13.8	13.1	12.1x

### Top 5 Gainers

COMPANY	%	COMPANY	%
Ashtead Group	11.1	Carnival	-13.6
Standard Life Aberd	6.8	Evraz	-8.6
John Wood Group	6.5	Imperial Brands	-5.4
NMC Health	6.0	easyJet	-4.9
Prudential	6.0	Reckitt Benckiser	-4.9

### Top 5 Decliners

### Currencies

PRICE	LAST	%1W	CMDTY	LAST	%1W
USD/GBP	1.27	0.91	OIL	65.1	5.0
USD/EUR	1.13	1.08	GOLD	1397.8	4.2
JPY/USD	107.54	0.95	SILVER	15.3	2.9
GBP/EUR	0.89	-0.16	COPPER	271.3	3.2
CNY/USD	6.87	0.83	ALUMIN	1781.0	-0.3

### Commodities

### Fixed Income

GOVT BOND	%YIELD	% 1W	1 W YIELD
UK 10-Yr	0.845	-0.2	0.00
UK 15-Yr	1.171	0.2	0.00
US 10-Yr	2.057	-1.1	-0.02
French 10-Yr	0.048	-	-0.05
German 10-Yr	-0.285	-	-0.03
Japanese 10-Yr	-0.156	-	-0.027

### UK Mortgage Rates

MORTGAGE BENCHMARK RATES	RATE %
Base Rate Tracker	2.57
2-yr Fixed Rate	1.66
3-yr Fixed Rate	1.80
5-yr Fixed Rate	1.98
Standard Variable	4.29
10-yr Fixed Rate	2.61

\* The % 1 week relates to the weekly index closing, rather than our Friday p.m. snapshot values  
 \*\* LTM = last 12 months' (trailing) earnings;  
 \*\*\*NTM = Next 12 months estimated (forward) earnings

For any questions, as always, please ask!

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**Please note:** Data used within the Personal Finance Compass is sourced from Bloomberg/FactSet and is only valid for the publication date of this document.

**The value of your investments can go down as well as up and you may get back less than you originally invested.**

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