WEEKLY MARKET COMMENTARY 6 MAY 2016

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TRUMP TAKES PROVISIONAL POLE AS CRUZ DROPS OUT

An eventful week in the US ended with Donald Trump emerging as the favourite to secure the Republican presidential nomination for the November election. Following a seamless victory for Trump in the Indiana primary on Tuesday, leading rival Ted Cruz decided to throw in the towel, only to be followed by John Kasich one day later. Senior figures in the Republican Party have made no bones about expressing their distaste for candidate Trump, which included the Bush family this week. If these factions cannot be resolved anytime soon, the chances of seeing another Democrat in the White House will only increase.

Elsewhere, Japanese Prime Minister Shinzo Abe followed in the footsteps of incumbent US President Barack Obama, by urging British voters to back remaining in the EU. In a state visit to the UK this week Abe cited the number of Japanese companies which have operations here, making reference to the UK as Japan's "gateway" to Europe. Voters remained undeterred by the rhetoric however, with the latest opinion polls showing an even split.

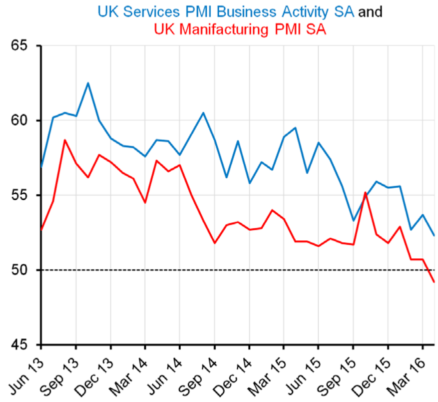
THE MARKETS THIS WEEK

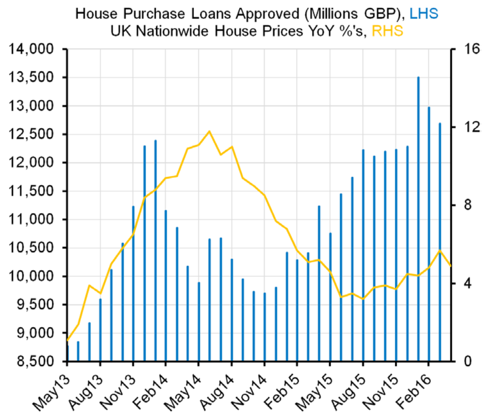
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
-3.24%	-1.19%	-7.41%	-4.39%	-1.86%	-2.47%	-3.73%	-3.54%	+5.51%	-1.18%	-5.23%

UK: INDUSTRIES STALL AHEAD OF EU REFERENDUM

This week's news puts a focus on the stalling effects of a June referendum on the British economy. The latest Markit/CIPS survey on the manufacturing sector shows that activity is at its lowest level for the past three years, as indicated by a score of 49.2, just below the economic contraction threshold of 50. Despite the fact that manufacturing accounts for only 10 per cent of the UK economy and the news may not necessarily affect overall growth prospects, the Markit report estimates that the numbers translate to 20,000 jobs being lost in the sector over the past quarter.

Similarly, the latest PMI report also reveals that services sector activity fell to 52.3 in April, which is the lowest level since February 2013. The sector accounts for 80 per cent of UK economic output, while the news exposes the major political risks created by the uncertainty of the vote in June. As businesses choose to wait for the referendum outcome before making any large spending decisions, multiple sectors have consequently suffered muted growth and economic uncertainty in recent months.





PROPERTY: NEW STIMULUS FOR HOME-BUYERS

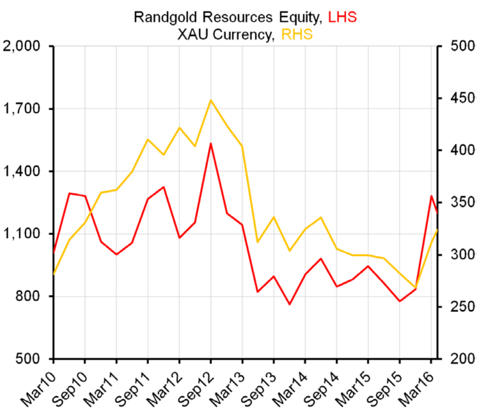
Barclays and other high street commercial banks have announced plans to aid home-buyers as property prices continue to rise, edging up by 0.2 per cent on average in April. Barclays have pledged to re-launch a 100 per cent mortgage scheme, marking a return to the pre-crisis appetite for high-risk lending. Similarly, Halifax will support older buyers by increasing the borrowers' age limit, now allowing for people aged 55 to get a 25-year mortgage. The news comes amidst the most recent findings by Legal & General, which show parental assistance filling a gap of £5bn in UK mortgage lending, or nearly 25 per cent of all transactions.

Common sentiment leans toward more regulation for tackling the UK housing crisis, as the Cornish town of St Ives showed in their most recent referendum result. More than 80 per cent of voters backed a ban on building any housing other than principal homes. This is clearly an effort to provide affordable housing as secondary homes have taken up a quarter of all housing in the town.

GOLD: UNCERTAINTY BOOSTS NEW PRICE HEIGHTS

The precious metal has had promising start to the year, reaching a 15-month high earlier this week. Since the beginning of January, the price per ounce has increased 22 per cent this year, passing the $1,300 per ounce threshold on Tuesday. Investors note this to be the best start to any year for gold in three decades. Industry giant Randgold Resources released their most recent quarterly results in line with the market trends – while production levels have fallen by 11 per cent compared to the previous quarter, profits have increased by 19 per cent, attributed mainly to the price surge.

Demand for gold has fallen across the spectrum however, especially in emerging markets; the most recent Thomson Reuters GFMS survey shows consumer demand in China to be down by 27.3 per cent in the first quarter of 2016. It means that physical gold purchases are at their lowest level since the first quarter of 2009. Thus, latest high can be attributed to, and sustained by global economic uncertainty over inflation rates, US dollar positioning, and conflicting monetary policy in Europe and the US.



Data Sourced from FE Analytics, and Bloomberg Finance LP