



Weekly Digest

Week ending **21 August 2016**

Going underground

Almost one year behind the original schedule, Londoners and those visiting the capital this weekend enjoyed (or endured, depending on your viewpoint) the wonders of a 24hr tube service as the Central and Victoria lines fired up their night time services. Strike action inevitably delayed the September 2015 launch – as often it does the regular service - but 126 years after the first electric underground train pulled away under Stockwell's streets in 1890, a new service commenced offering around six trains an hour through the night on Fridays and Saturdays. That hardy breed of reveler who pushes through until Monday may well feel disappointed, as might the A&E nurse who finishes their shift at 3am on a Monday morning (after treating said reveler).

London may rightfully claim the gold medal when it comes to the age of its underground network*, but it wins few prizes in other categories. With 422 stations, the New York subway trumps London's 270 while Madrid's Metro, which celebrates 100 years of service in 2019, outstrips London with its 301 stations. Two more and they'll be ahead of the Parisians. That surely is worth the investment alone, akin to having a Torre Caja Madrid taller than Paris's Tour Eiffel, or a boat marginally longer than Sir Philip Green's new floating behemoth, 'Lionheart', which at 300ft is as long in feet as the Eiffel tower is tall in metres (his timing for taking delivery could be better). Size doesn't always matter though; cost is what matters to most. London may host one of the most expensive underground networks but travel to Delhi, Mumbai or Beijing and you can travel for about 10 pence a ride. Opulent, London Underground is not though, as anyone who has travelled on the Moscow underground may attest to. There are few chandeliers lighting the path underground in London and the marble and gilded architecture is very well hidden (nor I doubt, can London match the official 99.96% punctuality of the Moscow system). Also somewhat showy for at least two of

the 17 stations (on and off) is the Pyongyang underground in North Korea where foreign travelers are shown the model of underground society. Turn the lights off after leaving please.

For all this nostalgia however, underground networks continue to be priority infrastructure projects and nowhere demonstrates this more than China. The country has 27 metro networks already and another 12 under construction (and India and Iran have another 12 on the go between them). Not only are the Chinese prolific infrastructure investors but they also complete these projects in near bullet train time. The Shenzhen metro was opened in 2004 and today it carries almost as many passengers as London, though granted it is only 230km long and only has 149 stations. In terms of the economics, the 'night tube' has been estimated by Transport for London (TfL) to create nearly 2,000 new jobs, of which 1,700 indirectly through growth in the night time economy and estimates are that for every £1 spent on the night tube, the London economy will benefit to the tune of £2.70. That's quite a good velocity of tube money, even if the trains themselves are not the fastest. London's tube network remains at the heart of the city and its residents and visitors will no doubt welcome the advent of the night tube and its extension to the other tube lines later in the year. The network helped propel London to become a global trading hub and financial centre, and its tunnels sheltered thousands during the war. Today The Tube has grown up; it even has Wi-Fi! So next time your night tube is delayed or its drivers are on strike, why not use the above ground network that is growing faster than the Chinese can say bullet train, and may ultimately reinvent urban travel globally. That network is called Uber.

* In fact technically speaking the first line opened in 1863 and used steam locomotives to drag passengers between Paddington and Farringdon in gas lit wooden carriages; health and safety eat your heart out.

The Marketplace

- Global equities subdued
- UK adds 170,000 jobs; retail sales growth picks up
- US inflation falls; NY Fed hawkish
- Japan see exports and imports slump
- The price of oil rises on rumours of output freeze

Market Focus

Global

- Developed market equities declined by 0.2% while emerging market stocks added 0.1% last week. European and Japanese stocks declined by 1.9% and 2.1%, in local currency terms.

UK

- The latest employment data (over three months; to the end of June) showed 172,000 jobs being created (versus expectations of +150,000).
- Retail sales excluding automotive fuel rose by 1.5% month-on-month versus expectations of a mere 0.3% increase. Year-on-year the number has risen from 3.9% in June to 5.4% in July.

US

- New York Federal Reserve President, William Dudley, struck a hawkish tone last week noting that a US interest rate hike in September was possible. In his opinion, the US is moving towards a time “where it will be appropriate to raise rates further”.
- US inflation data was relatively subdued last week with year-on-year CPI excluding food and energy falling from 2.3% to 2.2% in July. The minutes from the latest Federal Reserve meeting were also interpreted as being slightly dovish. The dollar dipped against major currencies last week.
- Chair of the Federal Reserve, Janet Yellen, is due to speak at the Federal Bank of Kansas City’s annual Economic Symposium in Jackson Hole on Friday, in what will be a keenly watched event.

Japan

- August’s export numbers fell to -14.0% year-on-year versus expectations of -13.7%, and down from July’s -7.4%. Imports also declined by more than expected in August, falling to -24.7% year-on-year versus expectations of -20.0%.

Commodities

- The price of oil rose by an impressive 8.3% as rumours that large oil-producing nations were once again contemplating a coordinated action to freeze output.

Alex Harvey (CFA) & Scott Gordon

Asset Class/Region	Currency	Currency returns			
		Week ending 19 August 2016	Month to date	YTD 2016	12 months
Developed Market Equities					
United States	USD	0.0%	0.6%	7.9%	6.7%
United Kingdom	GBP	-0.8%	2.7%	13.6%	11.5%
Continental Europe	EUR	-1.9%	-0.3%	-4.6%	-7.7%
Japan	JPY	-2.1%	-2.0%	-15.3%	-19.7%
Asia Pacific (ex Japan)	USD	-0.2%	3.0%	11.3%	9.5%
Australia	AUD	0.2%	-0.2%	7.2%	7.7%
Global	USD	-0.2%	0.8%	5.7%	2.4%
Emerging Market Equities					
Emerging Europe	USD	0.0%	3.9%	15.5%	5.7%
Emerging Asia	USD	0.2%	4.5%	12.0%	10.4%
Emerging Latin America	USD	-0.6%	4.1%	37.8%	21.2%
BRICs	USD	0.8%	5.6%	15.6%	6.4%
MENA countries	USD	0.0%	0.9%	1.8%	-9.8%
South Africa	USD	-0.4%	3.8%	30.7%	8.0%
India	USD	-0.3%	-0.1%	8.8%	0.4%
Global Emerging Markets	USD	0.1%	4.3%	16.6%	11.0%
Bonds					
US Treasuries	USD	-0.4%	-0.7%	5.4%	4.9%
US Treasuries (inflation protected)	USD	-0.2%	-0.2%	7.0%	5.4%
US Corporate (investment grade)	USD	-0.1%	-0.1%	9.1%	8.6%
US High Yield	USD	0.5%	1.8%	14.0%	8.7%
UK Gilts	GBP	-1.4%	1.7%	16.4%	16.3%
UK Corporate (investment grade)	GBP	-1.0%	2.1%	14.2%	14.5%
Euro Government Bonds	EUR	-0.3%	-0.2%	6.3%	7.2%
Euro Corporate (investment grade)	EUR	-0.2%	0.1%	5.9%	5.8%
Euro High Yield	EUR	0.2%	1.1%	7.1%	6.0%
Japanese Government	JPY	-0.1%	-0.8%	5.9%	7.5%
Australian Government	AUD	0.3%	0.2%	7.2%	7.7%
Global Government Bonds	USD	0.2%	0.4%	11.5%	11.6%
Global Bonds	USD	0.3%	0.5%	9.7%	9.4%
Global Convertible Bonds	USD	0.3%	1.3%	3.3%	3.3%
Emerging Market Bonds	USD	0.3%	1.8%	15.3%	17.0%

Asset Class/Region	Currency	Currency returns			
		Week ending 19 August 2016	Month to date	YTD 2016	12 months
Property					
US Property Securities	USD	-1.8%	-4.2%	12.5%	14.0%
Australian Property Securities	AUD	0.3%	-3.4%	15.7%	17.3%
Asia Property Securities	USD	-1.3%	0.4%	8.3%	5.8%
Global Property Securities	USD	-1.2%	-1.6%	12.3%	11.5%
Currencies					
Euro	USD	1.5%	1.3%	4.3%	1.9%
UK Pound Sterling	USD	1.2%	-1.1%	-11.3%	-16.6%
Japanese Yen	USD	1.1%	1.8%	20.0%	23.5%
Australian Dollar	USD	-0.3%	0.4%	4.7%	3.8%
South African Rand	USD	-0.2%	2.9%	14.6%	-4.7%
Swiss Franc	USD	1.5%	1.0%	4.4%	0.6%
Chinese Yuan	USD	-0.1%	-0.2%	-2.3%	-3.8%
Commodities & Alternatives					
Commodities	USD	3.6%	5.0%	10.9%	-2.0%
Agricultural Commodities	USD	1.0%	0.6%	2.8%	-0.7%
Oil	USD	8.3%	19.8%	36.5%	7.9%
Gold	USD	0.4%	-0.7%	26.4%	18.3%
Hedge funds	USD	0.0%	0.4%	0.9%	-2.8%

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