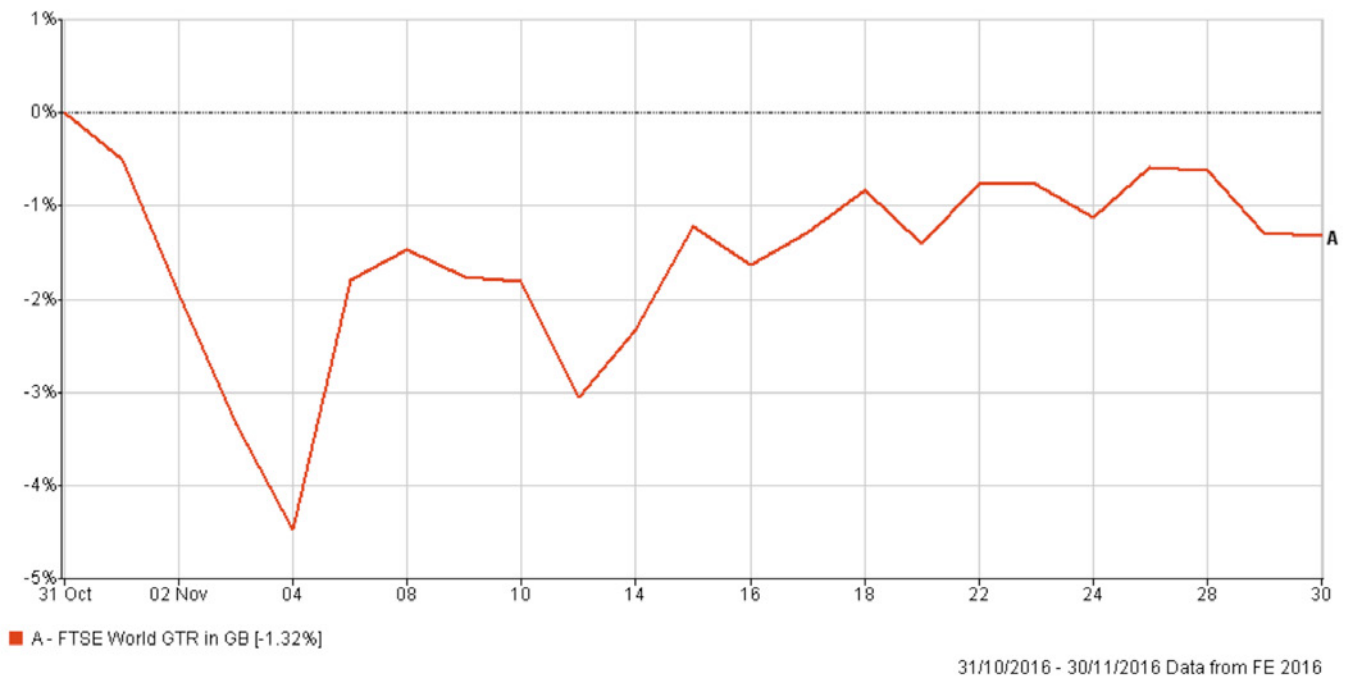




CAERUS Market Commentary – November 2016

Market overview

Equity markets made a steady recovery in November, after their falls immediately ahead of the US Election result; the FTSE World index was down 1.3%, over the month.



Politics continue to add uncertainty to markets and this seems likely to be the theme throughout 2017, with the upcoming schedule of polls throughout Europe. The key story in November was the unexpected US election result, posing the question as to what will Donald Trump actually do?

United States

Rising bond yields and a rising stock market have been features of the month, as US markets delivered a “grand slam” for the first time since New Year’s Eve 1999. All four major indices – the S&P 500, Dow Jones, NASDAQ and Russell 2000 index – hit record highs, on the anticipation of tax cuts and deregulation under a Trump presidency. The bond market seems to be the loser in this equation. Indications that fiscal spending is likely to rise sharply, financed by printing money, have pushed up inflation expectations. This is bad news for bond holders and has consequently led to a sharp rise in yields as investors sell to move their money into equities.

United Kingdom

There were no great surprises in the final Autumn Statement delivered by the new Chancellor. His situation is tight and he has not a lot of room to

manoeuvre. The 10 year gilt yield continued to rise through the month with Philip Hammond’s forecasts for the UK’s debt-to-GDP ratio hardly helping to slow the upward march of long term rates towards 1.50%, nearly one whole percentage point above the trough in yields, seen back in August.

Europe

Political uncertainty in Europe is growing acute. The recent ‘No’ vote in the Italian referendum and resultant resignation of Matteo Renzi will go down as yet another win for populist, anti-establishment coalitions. Along with Renzi, Italian banks look like the clear losers as his programme had been to ensure their support.

Important Information: This document is for general information purposes only and CAERUS Portfolio Management Limited (CPML) does not take responsibility for the accuracy of the material or the sources referenced within it. The information does not constitute Advice or a recommendation to invest or take a particular course of action and individuals should seek professional Financial Advice prior to making any Investment decisions. CAERUS Portfolio Management Limited is authorised and regulated by the Financial Conduct Authority (FCA No 175524) and is registered in England and Wales, Registered Office, Trident 3, Trident Business Park, Styal Road, Manchester, M22 5XB. Registered number 03056894.



CAERUS Market Commentary – November 2016

Japan

November saw the Yen depreciate nearly 8% vs the US Dollar. Whilst this will be welcomed by Prime Minister Abe and Japanese exporters, the move is less the result of “Abenomics” and more to do with strong US data, reinforcing expectations that the Federal Reserve will raise rates in December. In typical fashion, the depreciation in currency was matched by a rise in the TOPIX, finishing the month up 5.49% in local currency.

Asia Pacific

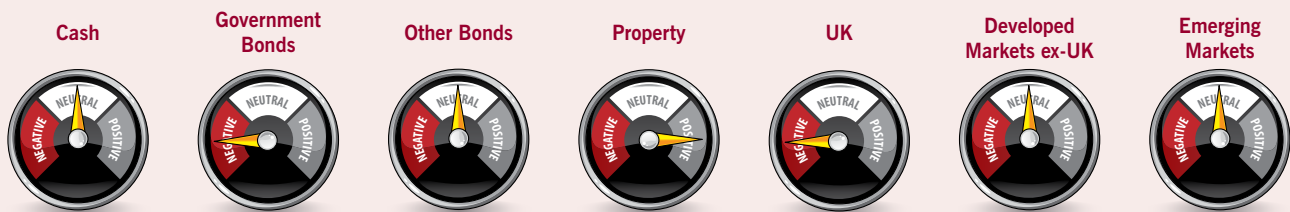
The Chinese Yuan has fallen over 3% against the Dollar since the beginning of October, a fairly noticeable move given it was just a 3.5% depreciation that led to the Chinese market falling 15% in August last year. China seems to be managing its currency with growing skill. With the rest of Asia inextricably linked to the Dollar, due to the importance

of their export trade, the relative strength, or rather weakness, of their currencies plays a large part in the success of many Asian companies. Donald Trump is not a fan of Asia dumping goods in the US domestic market so there may be headwinds next year for these economies.

Emerging Markets

Emerging Markets fell by around 7% (FTSE Emerging) over the month. The majority of these losses were incurred in the three days following the announcement of the US Election result. The recent strengthening of the Dollar will put pressure on Emerging Market countries with debt obligations denominated in that currency. However, it is the potential impact of protectionist US trade policies which has caught the market's attention.

CAERUS Sentiment Indicator



Important Information: This document is for general information purposes only and CAERUS Portfolio Management Limited (CPML) does not take responsibility for the accuracy of the material or the sources referenced within it. The information does not constitute Advice or a recommendation to invest or take a particular course of action and individuals should seek professional Financial Advice prior to making any Investment decisions. CAERUS Portfolio Management Limited is authorised and regulated by the Financial Conduct Authority (FCA No 175524) and is registered in England and Wales, Registered Office, Trident 3, Trident Business Park, Styal Road, Manchester, M22 5XB. Registered number 03056894.