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— Nova Investment Club —

Market Update

April 12th – 28th 2018



MARKET UPDATE

Bi-Weekly Market Review

April 12th, 2018 to April 28th, 2018

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	2,519	0.68%	4.12%	12.53%
DJIA	22,405	0.25%	5.25%	13.37%
Nasdaq	6,496	1.07%	5.72%	20.67%
MSCI World	2,831	0.20%	3.73%	14.97%
MSCI EM	4,134	-1.72%	4.14%	19.89%
Russell 2000	1,491	2.76%	5.27%	9.85%
Euro Stoxx 50	3,595	1.51%	3.56%	9.25%
FTSE 100	7,373	0.85%	0.31%	3.22%
Nikkei 225	20,356	0.29%	0.67%	6.50%
Hang Seng	27,554	-1.17%	6.12%	25.24%
Dollar Index	93.08	0.98%	-2.67%	-8.94%
EUR/USD	1.181	-1.15%	3.26%	12.33%
GBP/EUR	1.134	0.39%	-0.25%	-3.32%
GBP/USD	1.340	-0.78%	3.01%	8.57%
USD/JPY	112.5	0.46%	0.29%	-3.80%
USD/CHF	0.968	-0.10%	1.30%	-4.98%
Brent Crude	56.79	-0.12%	19.76%	-0.05%
Gold	1,282	-0.91%	2.87%	11.27%

Generic Bond Yields

Change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	2.334%	8.4	6.7	-11.1
GER 10Y Yield	0.464%	1.7	1.2	25.6
JPY 10Y Yield	0.068%	3.4	0.5	2.2
UK 10Y Yield	1.365%	1.0	11.5	12.6
PT 10Y Yield	2.388%	-4.9	-64.6	-137.6

Source: Bloomberg, as of 2018-04-28

Upcoming Next Week

The US Core PCE Price Index for May will be released next Monday (exp. 1.9%) and the FOMC meets on Wednesday. Earnings season is closing as Apple reports Q1 results on Tuesday after market close (exp. EPS \$2.71, +34.2% YoY) and Berkshire Hathaway does so on Friday (exp. EPS \$2.01, +40% YoY).

Big Tech beats expectation. In spite of recent setbacks, shares of Facebook, Alphabet and Amazon surged this week after the three reported better-than-expected Q1 results. Facebook reported EPS 25% higher than consensus estimates at \$1.69, while Amazon's was more than double expectations at \$3.27. At 40%, the e-commerce giant's gross margin also beat consensus, driven by the firm's shift away from direct online sales and into service streams such as cloud computing and Prime membership fees. Lastly, Alphabet also impressed with 24% revenue growth and EPS of \$9.28 for the quarter, despite a large capex bump of more than \$7bn.

Deutsche Bank restructures. The German lender and refocus on corporate lending will scale back its operations in the US and wholesale banking in Europe, recently-appointed CEO Christian Sewing announced on Thursday. The change comes after the bank reported first quarter results that largely missed expectations, with the CIB showing a 74% fall in pre-tax income. Sewing now wants to rebalance revenue streams and shrink the CIB to 50% of total revenue by 2021.

Takeda to take over Shire in £80bn deal. Japanese Takeda Pharmaceutical reached this week an agreement with Shire, the Ireland-based drug maker focusing on rare diseases. The last offer in a series of five bids represents a 60% premium over the closing price on the day before talks were announced, for an implied equity value of £46bn and corresponding EV of £80bn. The deal is now pending approval from both boards. Key to convincing Shire's management was an enhanced cash component, with 45% of total consideration being settled in cash and the rest in Takeda shares.

Fujifilm's acquisition of Xerox for \$6.1bn was blocked this Friday by the US Supreme Court, over concerns that Xerox's CEO, Jeff Jacobson, may have been conflicted while conducting negotiations. Mr Jacobson was set to become chief executive of the combined group, despite much criticism of his performance by largest Xerox shareholder Carl Icahn. The news are a win for activist investors Icahn and Darwin Deason, who had long been claiming the transaction undervalued Xerox.

North and South Korea leaders declared end to the Korean War, on April 27th. At a landmark summit, Kim Jong Un was the first North Korean leader to enter southern land, meeting Moon Jae-in to sign the Panmunjom Declaration for Peace. Although the two leaders vowed to achieve "complete denuclearization", no concrete measures on how to dismantle Pyongyang's nuclear programme were discussed. President Trump signalled his support by announcing progress is being made towards the US-North Korea summit.

Pound shows instability. On April 16th, the pound reached a 3-month record high climbing at \$1.43, after UK-EU negotiation talks. However, on the 27th the pound dropped to \$1.3764 amid UK's GDP 0.1% increase, below the 0.3% increase expectations.

The 10-year US Treasury bond yield topped 3% last Tuesday. The four-year high was reached as markets are expecting higher interest rates from central banks and concerns rise on the potential negative effects on equities. However, analysts consider 3% a "psychological" number, pointing to 3.5% as a more important benchmark.

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