

FED PUSHES FORWARD IN US

This week the market finally decided to listen the Federal reserve's rate hike plans. Although it is unlikely political events will stop pushing the market, the Fed's predictions should have more of an effect on rates and the dollar than the political noise. Elsewhere, UK Prime Minister Theresa May hit a speed bump over her Brexit plans. The House of Lords rejected her short bill which in all likelihood will start a back and forth battle over the bill.

Meanwhile, Uber CEO Travis Kalanick was caught arguing with his Uber driver on camera resulting in him receiving one-star rating from his driver. The hot-tempered Kalanick intends to get leadership help, but given the negative press engulfing the tech company, this latest bad behaviour could have happened at a better time. Speaking of tech, Snapchat issued their initial public offering this week. Whether they have the potential to fly like Facebook remains to be seen, the more probable outcome is a flop like Twitter.

THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 500	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
+1.62%	+0.77%	+0.96%	+2.34%	-1.72%	+0.18%	+0.11%	-1.67%	-2.27%	-0.23%	-1.95%

US: RATE HIKE WITHIN REACH

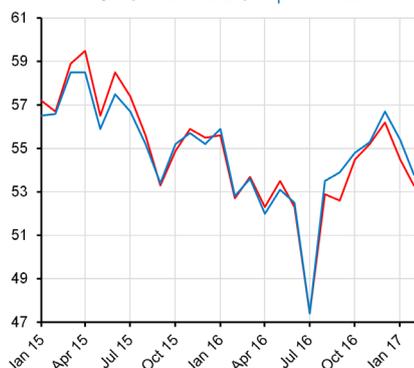


Up until Trump's speech to congress on Wednesday investors seemed to have lost faith in the reflation trade. The speech provided Trump with a perfect opportunity to explain how he plans to cut corporate taxes and deliver a boost to infrastructure spending however, surprise surprise this didn't happen. The somewhat disappointing speech didn't stop US stocks from reaching new highs. The Dow Jones reached 21,000 for the first time, the S&P 500 and the Russell 2000 also closed at new highs.

It is not clear how much of this performance can be attributed to Trump's speech as comments this week from members of the Federal Reserve suggest a March rate hike from 0.75 to one per cent is more than on the cards. Investors seem to be taking the Fed's promised pace of rate hikes more seriously. The probability of a rate hike at the next meeting shot up to 88 per cent this week – up from 36 per cent last Tuesday. Since the election Trump's tweets have been the main driver of market movements, but it seems this has shifted back to the Fed, at least for the moment.



UK Services and Composite PMI



UK: GROWTH SLOWS

Britain may be heading for a slowdown. The IHS Markit gauge for both the manufacturing and the services sector fell in February. The composite Purchasing Managers Index, PMI, fell to a six-month low of 53.8 from 55.5. Despite both sectors falling the services sector pulled the PMI down the most. This combined survey is leading economists to expect growth of 0.4 per cent this quarter – the slowest pace in a year. The pound fell after Friday's PMI publication.

Meanwhile Theresa May ran into some trouble this week, as the bill that would allow the Prime Minister May to activate Article 50 and start divorce proceedings was rejected by the House of Lords. The legislation regarding the rights of the three million EU citizens living in the UK was a deal breaker for the Lords. Home Secretary, Amber Rudd's letter to peers stated that guaranteeing EU citizens' rights in the UK without a reciprocal agreement would leave hundreds of thousands of Britons in the EU facing two years of uncertainty. The government has been criticised for planning to use EU citizens as a bargaining chip.



TECH: SNAPCHAT SHARE PRICE SOARS

Snapchat – the popular picture-messaging app where photo and video messages disappear after a set time, priced its initial public offering (IPO) at \$17 a share on Wednesday. This valuation was above the original estimate of \$14-\$16 and puts the company at \$24bn. By close on Thursday Snapchat shares were at \$24.48, rising 44 per cent on the first day of trading. If the IPO is successful it could entice other unicorns (companies valued at a billion dollars or more) onto the public market. Uber (valued at \$60bn) and Airbnb (valued at \$30bn) are unlikely to make debuts in 2017 but many smaller firms are expected to go public this year.

There are three main concerns investors have with Snapchat's IPO; the shares come with no voting power, increased competition with the likes of Facebook (Instagram) and Google and the company has a slowing user growth. Snapchat has 161 million daily users compared to Facebook's 483 million and Twitter's 100 million at their respective IPO launches.

