



Investment Insight

Friday, 7 April 2017

Strained: While European and US politics may be grabbing much of the political front pages these days, there's no shortage of activity in other parts of the world. For example, the operations of many Asian companies are being adversely affected by current and potential geopolitical disruptions in the region. The strained relationship between South Korea and China which, if anything, seems to be worsening is a case in point and the wide ranging consequences for many sectors of the market are impacting investors' decision making. However, with every crisis comes an opportunity, so in this week's **Inside Track** we take a glimpse at where some analysts perceive those opportunities.

Bubblin' Dublin: There has been much talk recently about the Irish property market and how potential bubbles are once again building. In particular this impacts the more sought-after commercial and residential areas of Dublin. However, with BREXIT becoming a reality there are already signs of a number of London based firms looking at opportunities to relocate staff to Ireland. If this plays out, it will put further upward pressure on house prices. But is Dublin really becoming overpriced? In this week's **Pic of the Week** we look at some findings from a slightly unorthodox benchmark.

Quoted...

"It always seems impossible until it's done."
- Nelson Mandela

The Inside Track

Disruptions in the Asian political environment are creating both threats and opportunities in Asia. The following are the thoughts of some Bloomberg Intelligence analysts on the issues at play.

Catherine Lim: South Korean Political Risk May Deter Chinese Shoppers in 2017

A surge in Chinese visitors to South Korea may dwindle in 2017 amid strained ties between the two nations. Earlier momentum fell back in January as more vacationers decided to visit Japan or Hong Kong instead of South Korea during the lunar new year holidays. A slowdown in Chinese visitors may crimp duty-free sales and profits. Korean companies have mentioned difficulties in distributing entertainment content and obtaining new product approvals in China this year. That came after the mainland objected to South Korea's THAAD missile-defence system in 2016. Chinese arrivals rose 6.8% in the fourth quarter of 2016 versus 44% nine months prior.

Michelle Leung: China's Ban of Coal Imports From Pyongyang May Benefit Russia

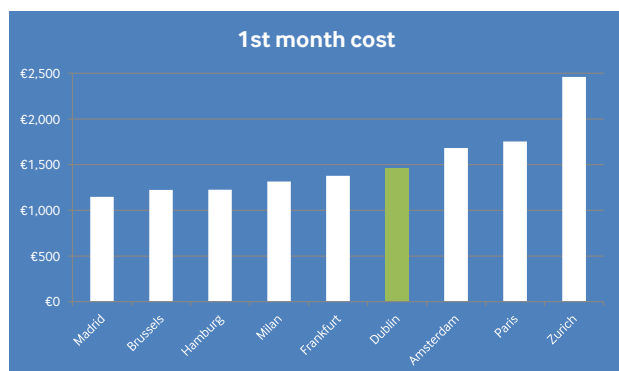
China's ban of coal imports from North Korea until the end of 2017 may be replaced by additional high-grade coal purchases from Russia and Australia. While China's imports made up about 85% of North Korea's total coal exports in 2016, only 9% of China's coal imports came from North Korea. If Russia grabs the entire North Korean 9% share, due to its more competitive pricing and shorter distance, the country would replace Mongolia to become China's third largest coal provider.

Yi Zhu: China's Steelmakers May Go West as New Trade Route Materializes

Building the One Belt One Road trade route to Europe could eventually boost China's steel industry. The start of construction over the next five years could add as much as 5% annually to Chinese steel demand, though only 10% of needed funding has been secured. The government is asking China's steelmakers to "go global" by building plants in Southeast Asia, western Asia and Africa along the new trade link. This would shift China's steel capacity westward as it gets easier to procure raw materials.

Pic of the Week

A German relocations company Movinga has created a "Relocation Price Index" which covers 75 cities worldwide. They measure the "1st month cost of living" by reference to four main factors: rent for a one-bedroom city-centre apartment, the cost of a mobile phone contract, the price of a monthly public transportation pass and the cost of 30 days' worth of food and drink. The index is weighted for a range of other essential variables such as the number of Michelin-starred restaurants and Burberry shops and the cost of an evening cocktail. Despite the shocking cost of caviar in Dublin's food stores, as the chart illustrates our ranking among locations being considered by Brexiting bankers is around mid-table!



Market View

	Last 7 days	Last 12 mths	YTD	5Y Ann.
Global equities	-0.4%	+15.5%	+5.0%	+8.7%
US equities	-0.4%	+14.1%	+5.3%	+11.0%
European equities	-0.2%	+15.5%	+4.9%	+7.5%
EM equities	-0.0%	+19.8%	+12.4%	-1.3%
Irish equities	+1.0%	+7.8%	+2.6%	+15.9%
Commodities	+0.6%	+2.5%	-1.9%	-9.5%
Hedge funds	-0.1%	+6.0%	+1.5%	+1.3%

Economic indicators	Bond yields	Inflation	GDP YoY
Ireland	+0.9%	+0.5%	+7.2%
Germany	+0.3%	+1.6%	+1.7%
USA	+2.3%	+2.7%	+2.0%
China	+3.3%	+0.8%	+6.8%

Currencies	Current	YTD Δ
EUR:USD	1.07	+1.4%
EUR:GBP	0.85	-0.0%
EUR:CNY	7.35	+0.2%
GBP:USD	1.25	+1.2%
Bitcoin	1,168.98	+22.8%

Week ahead: Key events

10/04 Eurozone Investor Confidence
11/04 UK CPI & EU Industrial Production
11/04 Mexico Production Data
12/04 UK Jobless Claims & US Mortgage Applications
12/04 India CPI
13/04 Germany CPI & US Initial Jobless Claims
14/04 Japan Industrial Production & US CPI
14/04 US Retail Sales & Business Inventories

Commodities	<i>Current</i>	<i>YTD Δ</i>
Gold	1,252.58	+8.7%
Copper	5,865.25	+6.2%
Oil	54.96	-6.0%
Wheat	426.25	+1.4%

Central Bank rates	<i>Current</i>
Eurozone	0.00%
USA	1.00%
UK	0.25%

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