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	1/1/16	5/4/16	1/7/16	5/10/16	1/1/17	5/4/17	1/7/17	5/10/17	1/1/18
FTSE 100	6242	6091	6504	7033	7143	7332	7313	7508	7688
FTSE All Share	3444	3351	3515	3827	3873	3997	4002	4119	4222
Dow Jones (US)	17425	17603	17930	18281	19763	20648	21350	22775	24719
S&P 500 (US)	2044	2045	2099	2160	2239	2353	2423	2552	2674
Nikkei 225 (Japan)	19034	15733	15576	16819	19114	18861	20056	20629	22765
WMA Balanced	1306	1312	1394	1475	1492	1538	1533	1571	1599

Growth Equities	Higher Yield Equities	Mid-Cap Equities	Overseas Equities	Collective Investments
Bunzl	Admiral	Babcock Int.	Auto. Data Process.	Bankers IT
DS Smith	AstraZeneca	Coats Group	Colgate-Palmolive	Caledonia IT
Experian	BP	Diploma	Deutsche Telekom	Fidelity Special Values IT
Prudential	Imperial Brands	Hill & Smith	Heineken	Finsbury Growth & Income IT
Reckitt Benckiser	Lloyds	James Fisher	Ingenico	Impax Environmental Mkts IT
Rentokil	National Grid	Pennon	Kimberly-Clark	JP Morgan Japanese IT
Shire	RDS ‘B’	Shaftesbury	Novartis	Monks IT
Smurfit Kappa	Rio Tinto	UBM	Waters Corp.	Pacific Assets Trust
	Vodafone			Schroder Oriental Income IT
				Trojan Global Income Fund

Nothing is Agreed Until Everything is Agreed

2017 was an extra-ordinary year as though one’s worst fears were not materialised we still enter 2018 in a state of confusion. As the lights go out on 2017, the past year can only really be described as ‘a damp squib’, yet there remains a glimmer of light at the end of the tunnel.

Last year was dominated by:

> Mrs May’s rather pathetic negotiations with Europe; however we have confidence that they will all turn out alright in the end, remember: “Whilst things are never as good as you expect them to be, they are never as bad”.

Mr Trump’s appalling rhetoric where there is an eerie silence regarding his Mexican wall, although he has fulfilled another of his promises with vast tax cuts to the benefit of Corporate America.

Whilst we also witnessed the unbelievable:

- Rise to power of Macron in France
- Fall in popularity of Angela Merkel in Germany (where she cannot even form a Coalition)
- Vote for independence in Spain for Catalonia
- And most importantly the enforced resignation of President Mugabe in Zimbabwe.

Kim Jong-Un in North Korea continues to provoke (or ‘bate’) the world with threats of nuclear attack, while Putin rules Russia with a rod of iron as he continues to bully his neighbours. It should however be minuted that Xi Jinping continues to try and drive global growth from within China.

At home, MPs continue to fiddle as Brexit burns with the ‘resignations’ of; Sir Michael Fallon, Dominic Green and Priti Patel, all of whom I felt were safe pairs of hands. That said I now feel very let down by them personally (rather than Mrs May) as they are all alleged to have done pretty stupid things.

Despite the confusion caused by both domestic and global political leadership, business commerce and stockmarkets have actually shone through the mire of despond with:

a) World stock markets reaching all-time highs
b) UK unemployment falling to 4.3%
c) UK GDP at 1.7% (averting the fear of recession during Brexit negotiations)
d) FTSE 100 company dividends rising by approximately 5%

all of which are surprisingly good news and augurs well for the future.

And so as we end the year we can bask in the national glory of:

- Lewis Hamilton winning his 4th Formula 1 World Championship
- Sir Mo Farah winning 'Sports Personality of the Year' (I will not call it SPOTY)
- Might Bite winning the King George at Kempton on Boxing Day
- Alastair Cook scoring an undefeated 244 at the MCG (forget the series)
- The Queen and Duke of Edinburgh's platinum wedding anniversary

and the most poignant moment of all:

- The Archbishop of York, John Sentamu, replacing his "Dog Collar" on the Andrew Marr Show, torn up all those years ago in protest against Robert Mugabe.

What a year in 'other news'!

Financial Statistics

	1/1/2017	1/1/2018	Change	High	Low
Stockmarkets					
FTSE 100*	7143	7688	+7.6%	7697	7074
FTSE All Share	3873	4222	+9.0%	4226	3846
Dow Jones	19,763	24,719	+25.0%	24,876	19,678
Nikkei Dow	19,114	22,764	+19.1%	23,382	18,224
Commodities					
Gold (oz)	$1,152	$1,309	+13.6%	$1,347	$1,147
Copper (tonne)	$5,501	$7,157	+30.1%	$7,157	$5,466
Oil (barrel)	$56.82	$66.62	+17.2%	$67.1	$44.35
Currencies					
£ to US $	$1.23	$1.35	+9.8%	$1.37	$1.20
£ to Euro	€1.17	€1.12	-4.3%	€1.20	€1.07
Bitcoin**	$920	$12,437	+1352%	$18,905	$778
Economic Data					
Base Rate	0.25%	0.5%	-	0.5%	0.25%
10 Year Gilt Yield	1.24%	1.19%	-	1.53%	0.72%
CPI	1.2%	3.1%	-	3.1%	1.2%
RPI	2.2%	3.9%	-	4.0%	2.2%

*FTSE 100 - It is highly significant to report that the FTSE 100 actually rose 4.9% during the month of December. Therefore, if you strip out the peaks and troughs it had only risen 2.7% in the previous 11 months on very little volatility. Indeed it traded in a narrow range almost entirely between 7100 and 7550 points.

The recent rally has largely been a result of:

1) Higher commodity prices due to rising global demand, especially from China fuelling a rally in the resource sectors.

2) Huge tax benefits for "Corporate USA" from Trump's approved change in US Corporation Tax from 35% to 21% helping US corporates, and in turn, world stock markets.

3) Currency with the weakness of the £ sterling particularly versus the Euro (Sterling has in fact recovered a little against the US Dollar but from a very low level).

i.e. Share prices (or stockmarket values) have actually ignored "Brexit negotiations" as a side show.

**BITCOINS – we are not regulated as 'currency traders' and are therefore unable to advise or deal in Bitcoins.

However, as Bitcoins are now the dinner party chat, just as 'Dot Com Boom' stocks were at the time of the Millennium, I wonder how many readers recall my Newsletter at that time, and repeated in Chapter 2 of my book:

> "From sardine cans to caviar jars"

where I explained that "Sardine cans should not be traded in, but opened".

Likewise: "Bitcoins should clearly be traded in, but not spent".

I concluded the Chapter with:

> "Old caviar tastes just like old sardines – and don't forget the lemon".

I would add:

> "The greatest lesson of history, is that people do not learn from the greatest lessons of history!"

Only time will tell.

The Economy, Present And Future

With the unknown of:

1) The final Brexit deal
2) Mrs May's frail parliamentary majority held together with the support of the DUP
3) The irrational mood swings of Mr Trump and his tweets
4) The instability of other global leaders
5) The most significant threat to the UK economy - Jeremy Corbyn (Lord Heseltine has finally gone mad and the Tory whip should be removed – or indeed used!)

it is impossible to predict what will happen in 2018. However, taking the easy way out, I quote the majority or 'average' of the many financial pundits, where their collective prediction is that:

UK Growth	will rise from approximately 1.4% to 2.0%
World Growth	will rise to approximately 4% (7% in China and 2.8% in the US)
Interest Rates	Bank Base Rate to rise from 0.5% to 0.75%
10 Year Gilt Yield	to rise from 1.19% to 2.0%
CPI	to fall from 3.1% to 2.25%
RPI	to fall from 3.9% to 3.0%
Sterling/Dollar	having recovered to US$1.35 is likely to stay broadly neutral
Sterling/Euro	having fallen to €1.12, it is very unpredictable until Brexit negotiations have been completed
FTSE 100	to rise from 7688 to 7769 (i.e. up 1%)

These figures are all 'calculated guesses' by the 'experts' which on this occasion we are prepared to go along with although we are slightly more optimistic on equities but feel inflation will continue to run higher than predicted.

However following the final Brexit negotiations:

1) It is likely that there will be a generational re-rating of the sterling – dollar rate. Indeed I may have to bid farewell to the indicator of £1 = $1.62 which has been my 'level' for over 50 years of stockbroking. I am afraid today's $1.35 is looking like the new 'level', we shall see.

2) Brexit will have an effect on the UK Stock Market but one must remember that approximately 75% of the FTSE 100's earnings are derived from overseas. It is other factors such as global growth fuelled by China and a growing world population, as well as commodity prices which will have a greater effect on stockmarkets, than slightly higher taxes on UK trade, the Irish border or immigration. This is the reason why we continue to add international names within investment portfolios.

3) After years of saying "interest rates are much too low" (brought on by the Banking Crisis) on 2nd November 2017 we saw the first rise in UK interest rates for 10 years from 0.25% to 0.5%. This was a very significant moment, as the tide has started to turn, but we must accept that global economies, especially the UK, have now become hooked on Quantitative Easing and low interest rates. Though the world is trying to "shake off the habit" of QE, interest rates will remain low, to avoid the risk of bankrupting heavily indebted home owners.

   We believe interest rates will rise, but very steadily and it is unlikely that we will see the longer term 'norm' of 5%-6% in the next 20 years.

   We find it quite extraordinary that a Bond has just been issued by:

   Oxford University 2½% Bond 2117
   (i.e. to 2½% yielding Bond for the next 100 years!)

   This is part of the reason why investors are being forced into taking on greater risk, by choosing equities (rather than bonds) to generate increased income. However, for liquidity and a degree of safety, we continue to favour index-linked gilts for their inflation protection.

Brexit

On 10th November 2017 we were exactly 505 days away from the result of the referendum the "*Leave Vote"*, and 505 days away from 29th March 2019 the "*Exit Day*". At 'half time' NOTHING HAD BEEN AGREED!!! Poor Mrs May, with her arms tied behind her back, has now agreed to:

1) Not close the Irish Border. A "closed border" would have been sheer madness, putting the Good Friday Agreement in jeopardy. How right the DUP MPs were to object.

2) A cost to exit of £40bn+, or euros or whatever (who cares, provided they are not Bitcoins) is fair enough. We all knew it would be about this level when talks started at £20bn to £80bn.

3) This now leaves 453 days to do the final trade deals although the minutes are ticking by.

We know that over 40% of our exports go to Europe, and slightly more comes in and therefore there will be a compromise deal that satisfies nearly everyone.

Of course, we have the Hard Brexit "Little Englanders" campaigners and the REMAIN at all Costs "Europhiles", neither of whom will ever be satisfied, indeed if they were left to their own devices they would divide the nation for evermore.

However, having been a "don't know Remainer" (and proud of it), I am prepared to accept the democratic national vote of leave, and endorse *a fudged soft option solution* to satisfy the majority, and move on. It is a classic case of

> "not being able to please all people all the time".

I totally understand the sentiments of both "remainers" and "leavers", but am happy to accept the "Will of the people" in our sacred democracy and surprisingly I have total confidence in Mrs May and her statement:

> "NOTHING IS AGREED UNTIL EVERYTHING IS AGREED".

It must (and will) work for the benefit of the UK and for Europe. I just hope Mrs May is given the support she needs at this very difficult time.

<u>The Budget</u>
(Indeed this was the first November budget, a good idea given that March is too close to the end of the tax year).

Mr Hammond's Budget had no surprises except for his witty sense of humour, particularly with this 'gem' for Top Gear enthusiasts:

"I know that Jeremy (Clarkson) doesn't like them, but there are many other good reasons to pursue this technology (driverless cars). So today we step up our support for it. I'm sorry Jeremy (Corbyn), but it's definitely not the first time you've been snubbed by Hammond and May!"

which was not bad from the most boring Chancellor in living memory.

He has:

1) Tweaked dividend taxation and pensions to the detriment of the so called 'middle class'.

2) Retained ISA subscription levels at £20,000 per annum (essential for all investors who can afford ISAs).

3) Maintained the AIM stock IHT exemption (for the time being anyway) although these investments still have considerable risk. See Edward Sidgwick's piece on IHT Planning below.

Typically, whilst the Americans and specifically Trump make bold moves (cutting corporation tax by 14%) the UK Treasury retains the status quo, although we will 'take this', as the alternative (a Corbyn Government) would of course be detrimental for both UK corporates and savers!

<u>**Inheritance Planning – by Edward Sidgwick**</u>

As you will be aware, Barratt & Cooke's primary focus is on the discretionary and advisory management of our clients' investment portfolios (whether individuals, families, Trusts, Charities, Companies etc). We are not qualified to advise on sophisticated accounting or legal matters, nor on holistic financial planning matters (e.g. inheritance planning, mortgages etc). It is for this reason that many of our clients also employ the services of accountants and solicitors.

In recent years, we have seen an increasing appetite for more proactive inheritance planning solutions, driven by both our clients, and their other professional advisors (accountants, solicitors and financial advisors). Such inheritance planning solutions can include Gifts ('Potentially Exempt Transfers'), Trusts and Business Property Relief schemes (e.g. Barratt & Cooke's IHT Portfolio Service).

Whilst such inheritance planning is often very sensible, it is by no means suitable for all of our clients. It must be remembered that old age can be incredibly expensive, not least when full time care is required, and clients must ensure that any inheritance planning solution does not jeopardise their future financial independence.

These are of course matters that our clients may be advised on by their financial advisors, though it must be said that the quality of such advice that we have seen varies significantly, from the eminently sensible, to the outright unsuitable.

At Barratt & Cooke, we believe that we 'know our clients' better than many of our peers, where in many cases we have advised families for generations, and indeed we take great comfort from the knowledge that our advice is suitable for our clients' requirements and situations. Whilst we are not able to advise clients on holistic financial planning matters, such as complex inheritance planning, we are pleased to work with our clients' solicitors, accountants and financial advisors to ensure that our clients receive the very best, and most suitable advice, benefitting from the input of all of their professional advisors.

Please do not hesitate to contact your advisor to discuss any such matters, whilst we will be pleased to provide details of our IHT Portfolio Service where appropriate.

MiFID II (Markets in Financial Instruments Directive)

Investment Advisors have been regulated by MiFID regulations since 2007. These rules have been updated and will come into force on 3rd January 2018, known as MiFID II.

The changes to the rules are extremely complicated, wide sweeping and expensive to install and administer, but every single Investment Advisory Firm must **comply or** indeed they will be "closed down" and **die**. This is why there is so much consolidation taking place in the investment industry today.

Whilst I, personally, have been involved with how we implement MiFID II (particularly in what clients see, despite our staff pedalling furiously below the surface), it is most appropriate for Sam Barratt and Miles Piercy, who endeavour to make the most complicated procedures as simple as possible, and to whom I am HUGELY GRATEFUL for all their work on this new regulatory regime, to update you (although I have limited them to 1 page maximum!).

MiFID II by Sam Barratt and Miles Piercy

MiFID II was drafted to further develop the original MiFID regulations, with the aim of increasing client protection, transparency and competition within financial markets. Whilst we have had to significantly update our internal systems and implement new processes to allow us to meet these new regulations, MiFID II also affects clients directly, as, for instance, we are required to hold an 'identifier' for all clients, which must be reported to the FCA, together with other information such as names and dates of birth, whenever a transaction takes place.

For individuals the identifier depends on your nationality, which if you are British is your national insurance number; whereas for entities, the identifier is an LEI, which we are pleased to report we have obtained for all but a handful of clients.

In order to fill any gaps, many clients will be aware that we have contacted them over the last year to obtain the information, and to those who have responded to our requests, we say thank you. If you are still to supply us with information, please arrange to let us know as soon as possible, as at present you will not be able to undertake transactions. Similarly, if you are not a British national, or hold dual nationality status, and we have not contacted you to confirm this, please let us know immediately as this could affect your identifier.

Looking forward, most clients will notice changes in the information we provide them, from minor alterations, such as the dealing times on contract notes now being reported to the second, to the issuance of quarterly valuations, as at 5th January, April, July and October. In April and October we will also be reporting all costs and charges associated with clients' portfolios to them, and for discretionary clients we will inform them if the value of their portfolio falls by 10%, or more, between the valuation dates.

When writing to advisory clients with our advice, we will be introducing further information to our letters confirming why we believe our advice is suitable, and we will also be forwarding additional documentation when advising on the purchase of certain collective investments, including investment trusts.

As mentioned above, we will, as always, endeavour to keep our correspondence as simple as possible; however, if following its receipt you have any questions regarding the additional information presented, please either contact your adviser or our compliance team.

Corporate Actions

AMEC Foster Wheeler taken over by John Wood Group.
CR Bard taken over by Becton Dickinson.

There are of course significant rumours revolving around Disney taking over Fox.

In Conclusion

2017 has been one of those years where:

"They are never as good as you expect them to be but then again they are never as bad".

Despite the doom and gloom in the UK, and the ongoing Brexit talks, ironically stock markets have been held up by: Mr Trump's reduction in US Corporation Tax, low interest rates, global growth particularly from China, higher commodity prices, as well as favourable currency rates and above all "The TINA Effect".

We believe that Brexit negotiations will finish with an acceptable 'fudge' satisfying all sides except the extremists, then the UK will be able to move on with a lower median for Sterling and long term low interest rates (albeit slightly higher than now).

Jeremy Corbyn is a very real threat to the UK economy which is why, whilst we hold a number of domestic stocks, the core to all portfolios is a collection of companies with a global reach. We are therefore cautiously optimistic for 2018, where such companies should benefit from global growth (4%) as well as the low value of Sterling.

I wish all my readers a very Happy New Year, and hope the 5th April 2018 Newsletter will highlight a great victory by Might Bite in the Cheltenham Gold Cup (good luck Josie and Nicky!).

Competition Time

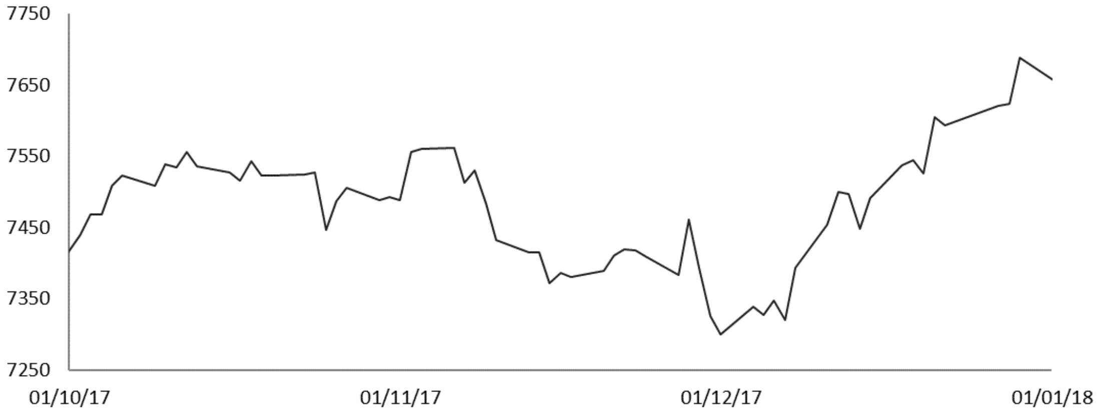
Following the photograph of Mrs May and Boris in the House of Commons, we have received many captions, all of which have produced a great deal of laughter in the office. But for the sake of political correctness, and to avoid being rude (though very funny!), the winner has to be:

> In the immortal words of Lord Sugar "Boris, you're fired".
> (Well done Charles, your prize is on its way.)

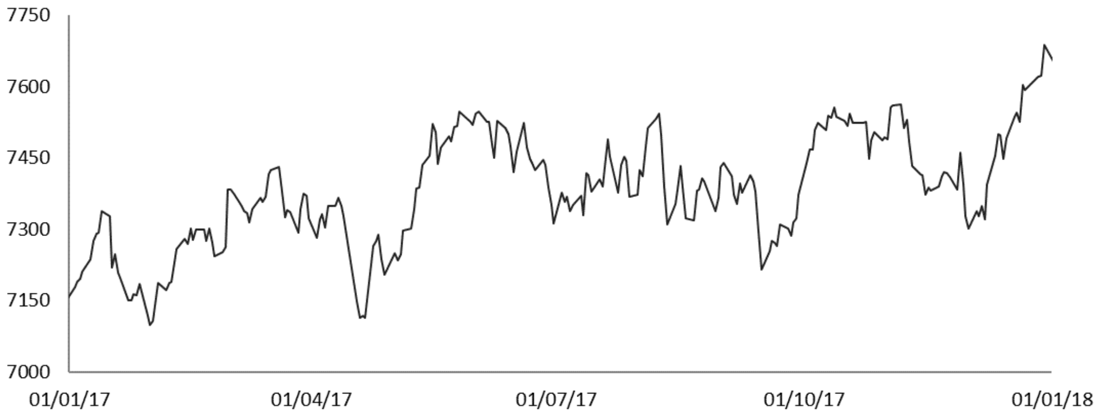
For this month's competition there will be a prize for anybody who can show me an actual Bitcoin, or better still, give me one for Mrs Barratt to spend.

CWLB
1/1/18

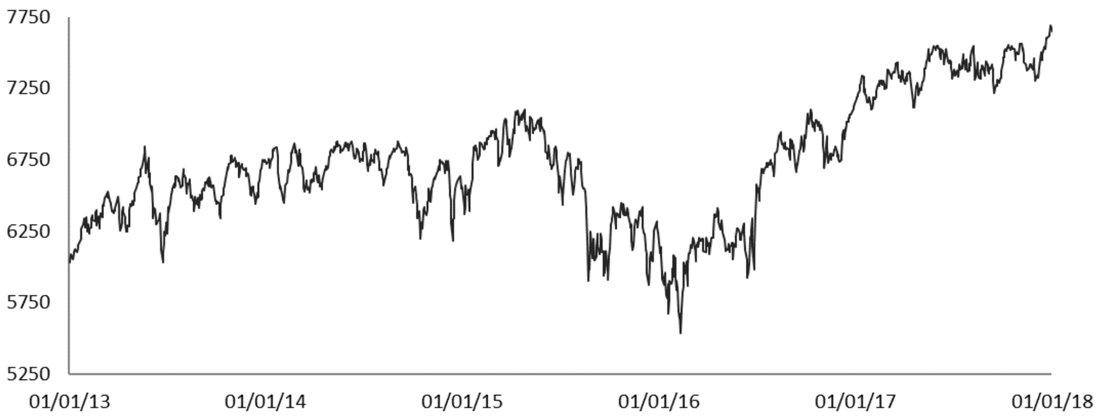
FTSE 100 – Previous Quarter



FTSE 100 – 1 Year



FTSE 100 – 5 Year



Source: Proquote