

Weekly Economic Update

01 February 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,084, up 3.1%. The FTSE All Share fell by 3.2% in January, recovering from a fall of over 9%. Markets were driven by concerns over the health of the Chinese economy and the effects of low oil prices. The UK 10 year gilt yield moved from 1.71% to 1.56%.
- UK GDP grew by 0.5% in the final quarter of 2015, driven by strong expansion in the services sector. These growth figures were as expected, and pound sterling rose following the news. The Monetary Policy Committee will meet on Thursday.
- Mortgage approvals in the UK rose in December unexpectedly, with approvals reaching 70,837 following 70,424 in November as low interest rates encourage demand for housing.

GLOBAL

- Markets were steadied towards the end of the week as central banks continued to give assurances that global risks are being recognised in their policy decisions. The MSCI World Index fell by over 6% in January, as uncertainty arising from volatility in China saw a global sell off in equities.
- The Federal Reserve (Fed) left rates unchanged as expected last week, acknowledging global risks and revealing that 'economic and financial developments' are being monitored. The Fed will look at the impact of these risks on the labour market and on inflation, having removed a line from the previous December statement that said risks to the outlook were 'balanced'. The Fed maintained their stance on the price level, with 2% inflation still the aim, but stated that energy prices will keep prices low in the short term.
- The Bank of Japan (BoJ) surprised markets on Friday, deciding with 5 votes to 4 to lower interest rates to negative. The move is an attempt to encourage lending from banks in order to promote economic growth. The negative rate comes into effect in February, and will be applicable for new deposits, made by financial institutions, that fit certain criteria. The measures are similar to those that have been used in Europe with some success. The BoJ retained their asset purchase programme and yields fell, with the 10 year yield on government bonds falling to 0.09%.
- The European Commission revealed on Thursday that consumer confidence is the lowest since August, with a consumer confidence index measure falling from 106.7 in December to 105, below estimates. This further strengthens the case for the European Central Bank to expand their policy easing in order to stimulate growth. European stocks initially fell following the news, before climbing after Japan's negative rate decision.
- China's stock market continued to fall throughout the week, with the Shanghai Composite falling over 6%, meaning a loss of 24% so far this year. The yuan is at its weakest level in 5 years, with capital outflows from the country a big concern for investors. China's purchasing managers index remained below 50 for the 6th successive month, representing half a year of continued contraction in manufacturing.
- Oil prices started the week on a negative note, with Brent crude once again falling to near \$30 per barrel. Prices rallied through the week amidst speculation that OPEC and Russia were discussing a reduction in crude oil production in order to support prices.

Equity Markets	Index Level 29 Jan 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3336	-3.1%	-3.1%	-5.4%
FTSE 100	6084	-2.5%	-2.5%	-7.3%
FTSE 250	16488	-5.3%	-5.3%	3.4%
MSCI World	1562	-2.6%	-2.6%	0.0%
S&P 500	1940	-1.5%	-1.5%	3.7%
DAX	9798	-5.5%	-5.5%	-7.4%
Nikkei 225	17518	-4.3%	-4.3%	3.0%
Hang Seng	19683	-7.4%	-7.4%	-12.7%
MSCI World EM	742	-3.1%	-3.1%	-17.0%

Bond Markets	Yield 29 Jan 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.97	3.6%	3.6%	0.4%
FTA All Stock ILG Index	-0.90	4.8%	4.8%	0.0%
FTA Over 5 Year ILG Index	-0.89	5.4%	5.4%	-0.1%
FTA Under 5 Year FIG Index	0.66	1.1%	1.1%	1.6%
FTA Over 15 Year FIG Index	2.25	6.2%	6.2%	-1.1%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	29 Jan 16	30 Nov 15	31 Dec 14	29 Jan 15
UK 10 Year Gilt Yield	1.56	1.96	1.96	1.42
UK 15 Year Gilt Yield	1.92	2.29	2.29	1.76
US 10 Year Treasury Yield	1.92	2.27	2.27	1.75
German 10 Year Yield	0.33	0.63	0.63	0.36
Spanish 10 Year Yield	1.51	1.77	1.77	1.46
Greek 10 Year Yield	9.35	8.07	8.07	10.02
Japan 10 Year Yield	0.10	0.27	0.27	0.29

Currencies Exchange Rate	29 Jan 16	30 Nov 15	31 Dec 14	29 Jan 15
	GBP / USD	1.42	1.47	1.47
GBP / EURO	1.31	1.36	1.36	1.33
GBP / YEN	172.03	177.09	177.09	178.08

Commodities	Price Level	Price Level	Price Level	Price Level
	29 Jan 16	30 Nov 15	31 Dec 14	29 Jan 15
Oil - WTI	33.6	37.0	37.0	44.5
Gold	1118	1061	1061	1257
Wheat	479	470	470	508

Source: Mobius Life, Bloomberg
Please Note: Past performance is not a guide to future performance

Mobius Life Limited

7th Floor, 20 Gresham Street, London EC2V 7JE

t +44 (0) 20 7847 3300 f +44 (0) 20 7847 3399

e enquiries@mobiuslife.co.uk

www.mobiuslife.co.uk

Weekly Economic Update

Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
01/02/2016	CH	Manufacturing PMI	49.6	49.4	49.7
01/02/2016	JN	Nikkei Japan PMI Mfg	--	52.3	52.4
01/02/2016	SP	Markit Spain Manufacturing PMI	52.5	55.4	53
01/02/2016	IT	Markit/ADACI Italy Manufacturing PMI	54.8	53.2	55.6
01/02/2016	FR	Markit France Manufacturing PMI	50	50	50
01/02/2016	GE	Markit/BME Germany Manufacturing PMI	52.1	52.3	52.1
01/02/2016	UK	Mortgage Approvals	69.6k	70.8k	70.4k
01/02/2016	UK	Markit UK PMI Manufacturing SA	51.6	52.9	51.9
01/02/2016	US	Markit US Manufacturing PMI	52.7	--	52.7
01/02/2016	JN	Monetary Base YoY	--	--	29.50%
02/02/2016	GE	Unemployment Change (000's)	-8k	--	-14k
03/02/2016	IT	CPI EU Harmonized MoM	-2.30%	--	-0.10%
03/02/2016	US	MBA Mortgage Applications	--	--	8.80%
03/02/2016	US	ADP Employment Change	190k	--	257k
04/02/2016	UK	Bank of England Bank Rate	0.50%	--	0.50%
04/02/2016	UK	Bank of England Inflation Report			
04/02/2016	US	Initial Jobless Claims	280k	--	278k
04/02/2016	US	Factory Orders	-2.80%	--	-0.20%
04/02/2016	US	Durable Goods Orders	--	--	-5.10%
05/02/2016	GE	Factory Orders MoM	-0.50%	--	1.50%
05/02/2016	US	Trade Balance	-\$43.20b	--	-\$42.37b
05/02/2016	US	Change in Nonfarm Payrolls	190k	--	292k
05/02/2016	US	Unemployment Rate	5.00%	--	5.00%
05/02/2016	UK	Halifax House Prices MoM	0.10%	--	1.70%

Source: Bloomberg

Mobius Life Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in England and Wales at: 7th Floor, 20 Gresham Street, London EC2V 7JE. Registered No. 3104978. For your security telephone conversations may be recorded.

Mobius Life Limited

7th Floor, 20 Gresham Street, London EC2V 7JE

t +44 (0) 20 7847 3300 f +44 (0) 20 7847 3399

e enquiries@mobiustlife.co.uk

www.mobiustlife.co.uk