

Weekly Economic Update

03 May 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,242, down 1%. The UK 10 year gilt yield moved from 1.61% to 1.60%.
- Pound sterling ended the week at \$1.46 (end of December levels) after significant falls in the first 2 months of the year. The dollar continues to weaken and fears over a 'Brexit' from the European Union appear to be having less of an impact on the pound.
- Data released today shows that the UK manufacturing sector contracted against expectations in April with Markit's Purchasing Managers Index falling significantly from 50.7 to 49.2. This was well below forecasts of approximately 51, and is the first time the sector has shrunk for 3 years.

GLOBAL

- Global equity markets fell on the whole last week as Japan surprised markets by leaving monetary policy unchanged and the Fed maintained their dovish stance on rate rises.
- The Bank of Japan (BoJ) shocked investors last week by opting against the expansion of their monetary policy. This was a surprise to the majority of investors who were expecting there to be action taken following a period in which the yen has been strengthening and raising doubts of the potential for improved growth. However, the BoJ decided to take a step back this time around following the movement to negative deposit rates in the first quarter, with governor Haruhiko Kuroda wishing to first see the effects of the changes made at the start of the year. Stocks fell in Japan following the news, and the yen strengthened further against the dollar.
- As expected, the Federal Reserve (Fed) announced that interest rates will remain unchanged for the time being. The statement released on Wednesday once again acknowledged slowing economic growth given the headwinds faced in global markets. The Fed will continue to monitor these alongside inflation. Improving labour market figures and the expectation that inflation will move towards the 2% target in the medium term have paved the way for an interest rate rise in the coming months, with investors pricing in September as the expected timing for the next rise. The dollar depreciated to levels not seen for almost a year on the back of the Fed's dovish stance and as data showed GDP rose at an annualised 0.5% in the first quarter. Also, despite low inflation and improving employment figures there was a smaller than expected increase in consumer spending in March.
- Oil prices rose by more than 20% in April as the dollar weakened and investors speculate whether the current oversupply will continue. Prices were guided higher last week as the US rig count fell by 11. However there has been a slight turnaround on either side of the weekend as production from the Organisation of Petroleum Exporting Countries reached 32.64 million barrels per day in April.
- Gold prices have now risen 22% so far this year as investors react to a slower than expected path of interest rate rises in the US.
- Australia has joined others in electing to lower its interest rate in order to ease upward currency pressures and deflation worries. The rate has been cut from 2% to 1.75%.

Equity Markets	Index Level 29 Apr 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3422	1.1%	0.7%	-5.5%
FTSE 100	6242	1.4%	1.5%	-6.6%
FTSE 250	16802	-0.3%	-2.7%	-1.2%
MSCI World	1671	0.0%	2.2%	0.9%
S&P 500	2065	-1.2%	2.5%	5.9%
DAX	10039	-0.3%	-0.7%	-4.7%
Nikkei 225	16666	1.8%	-1.0%	-4.3%
Hang Seng	21067	-0.2%	-2.7%	-18.9%
MSCI World EM	840	-1.0%	7.1%	-13.8%

Bond Markets	Yield 29 Apr 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	2.02	-1.2%	3.7%	4.3%
FTA All Stock ILG Index	-0.83	-2.2%	3.4%	1.4%
FTA Over 5 Year ILG Index	-0.83	-2.6%	3.8%	1.5%
FTA Under 5 Year FIG Index	0.69	-0.3%	1.2%	2.0%
FTA Over 15 Year FIG Index	2.29	-2.0%	6.1%	6.2%

Interest Rates & Yields	Yield 29 Apr 16	Yield 31 Mar 16	Yield 31 Dec 15	Yield 29 Apr 15
UK 15 Year Gilt Yield	2.09	1.96	2.29	2.21
US 10 Year Treasury Yield	1.83	1.77	2.27	2.04
German 10 Year Yield	0.27	0.15	0.63	0.29
Spanish 10 Year Yield	1.59	1.44	1.77	1.47
Greek 10 Year Yield	8.41	8.48	8.07	11.24
Japan 10 Year Yield	-0.09	-0.05	0.27	0.30

Currencies Exchange Rate	29 Apr 16	31 Mar 16	31 Dec 15	29 Apr 15
GBP / EURO	1.28	1.26	1.36	1.39
GBP / YEN	156.25	161.94	177.09	183.50

Commodities	Price Level 29 Apr 16	Price Level 31 Mar 16	Price Level 31 Dec 15	Price Level 29 Apr 15
Gold	1293	1233	1061	1205
Wheat	478	474	470	477

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

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Weekly Economic Update

Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
03/05/2016	CH	Caixin China PMI Mfg	49.8	49.4	49.7
03/05/2016	UK	Markit UK PMI Manufacturing SA	51.2	49.2	51
04/05/2016	SP	Unemployment MoM Net ('000s)	-81.7	--	-58.2
04/05/2016	SP	Markit Spain Composite PMI	54.8	--	55.1
04/05/2016	IT	Markit/ADACI Italy Composite PMI	--	--	52.4
04/05/2016	FR	Markit France Composite PMI	50.5	--	50.5
04/05/2016	GE	Markit/BME Germany Composite PMI	53.8	--	53.8
04/05/2016	UK	Markit/CIPS UK Construction PMI	54	--	54.2
04/05/2016	US	MBA Mortgage Applications	--	--	-4.10%
04/05/2016	US	ADP Employment Change	195k	--	200k
04/05/2016	US	Trade Balance	-\$41.3b	--	-\$47.1b
04/05/2016	US	Markit US Composite PMI	--	--	51.7
04/05/2016	US	Factory Orders	0.60%	--	-1.70%
04/05/2016	US	Durable Goods Orders	0.80%	--	0.80%
05/05/2016	CH	Caixin China PMI Composite	--	--	51.3
05/05/2016	UK	Halifax House Prices MoM	-0.30%	--	2.60%
05/05/2016	UK	Markit/CIPS UK Composite PMI	53.2	--	53.6
05/05/2016	US	Initial Jobless Claims	260k	--	257k
06/05/2016	JN	Monetary Base YoY	--	--	28.50%
06/05/2016	JN	Nikkei Japan PMI Composite	--	--	49.9
06/05/2016	US	Change in Nonfarm Payrolls	200k	--	215k
06/05/2016	US	Unemployment Rate	4.90%	--	5.00%

Source: Bloomberg

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