

# Weekly Economic Update

05 March 2018



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 7,070, down 2.3%. The UK 10 year gilt yield moved from 1.52% to 1.47%.
- The UK manufacturing purchasing managers' index (PMI) showed a continued strength in the sector, reading 55.2 for the month of February, down marginally from 55.3 the previous month.

## GLOBAL

- Global equities slipped as markets considered the prospect of trade wars and faster interest rate rises in the US.
- There were national elections in Italy over the weekend in which there was a clear increase in support for right-wing and populist parties. Fiver Star Movement, who have historically been very anti-euro despite a recent softening of their stance, have won in the region of 32% of the vote. However, with a similar proportion of the vote, former prime minister Silvio Berlusconi's right-wing coalition appears to have gained the most seats in parliament. It appears that neither party has gained enough seats for a majority.
- US president Donald Trump announced plans last week to immediately implement tariffs of 25% on steel and 10% on aluminium on imports from all countries. The proposed move has been met with intense criticism from both inside and outside the US, with countries promising retaliatory action if it goes ahead. Trump responded by saying that given the current trade position of the US, 'trade wars are good, and easy to win'.
- New chair of the Federal Reserve, Jerome Powell, gave a bullish assessment of the US economy in his first speech to the US congress. He emphasised the need to avoid an 'overheated economy' through a continued gradual increase in interest rates. Powell stated that his 'personal outlook' for the economy had improved since the end of last year. The dollar strengthened and Treasury yields moved higher following Powell's comments.
- Angela Merkel, German chancellor, has officially returned to power after the Social Democratic Party (SDP) agreed to reform a coalition with Merkel's Christian Democratic Union. 66% of SDP members voted in favour of the coalition.
- The European Central Bank (ECB) will hold a meeting to discuss monetary policy this week. ECB president Mario Draghi's spoke of a lack of a sustained increase in inflation last week and there are no changes in policy expected this month.
- China's National People's Congress has set the target for growth in the Chinese economy at 6.5% for 2018. This is lower than the 6.9% growth reported for 2017. The Chinese government will focus on reducing debt risk in the economy following its reliance on borrowing to invest in recent times. China's official PMI fell from 51.3 to 50.3 in January, ending a year long period in which the PMI reading has remained above 51.0.

Equity Markets	Index Level 02 Mar 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3900	-2.0%	-7.0%	0.8%
FTSE 100	7070	-2.1%	-7.3%	-0.4%
FTSE 250	19387	-1.5%	-6.3%	5.0%
MSCI World	2090	-1.2%	-2.1%	3.1%
S&P 500	2691	-0.7%	-0.8%	2.6%
DAX	11914	-3.3%	-7.2%	3.1%
Nikkei 225	21182	-2.9%	-2.6%	4.6%
Hang Seng	30583	-0.8%	0.4%	18.0%
MSCI World EM	1182	-1.0%	0.4%	15.3%

Bond Markets	Yield 02 Mar 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.67	0.4%	-1.4%	-0.2%
FTA All Stock ILG index	-1.57	0.3%	-2.0%	0.1%
FTA Over 5 Year ILG index	-1.57	0.4%	-2.1%	0.2%
FTA Under 5 Year FIG Index	0.83	0.1%	-0.5%	-1.0%
FTA Over 15 Year FIG Index	1.79	0.6%	-1.8%	0.8%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	02 Mar 18	28 Feb 17	31 Dec 17	02 Mar 17
UK 10 Year Gilt Yield	1.47	1.50	1.19	1.21
UK 15 Year Gilt Yield	1.73	1.75	1.51	1.57
US 10 Year Treasury Yield	2.86	2.86	2.41	2.48
German 10 Year Yield	0.65	0.66	0.43	0.32
Spanish 10 Year Yield	1.55	1.54	1.57	1.70
Greek 10 Year Yield	4.33	4.38	4.07	6.93
Japan 10 Year Yield	0.07	0.05	0.05	0.07

Currencies Exchange Rate	02 Mar 18	28 Feb 17	31 Dec 17	02 Mar 17
	GBP / USD	1.38	1.38	1.35
GBP / EURO	1.12	1.13	1.13	1.17
GBP / YEN	145.41	147.14	152.26	140.44

Commodities	Price Level	Price Level	Price Level	Price Level
	02 Mar 18	28 Feb 17	31 Dec 17	02 Mar 17
Oil - WTI \$	61.25	61.64	60.42	52.61
Gold \$	1,322.75	1,318.38	1,303.05	1,234.31
Wheat \$	492.00	484.50	427.00	432.00

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
05/03/2018	UK	Markit/CIPS UK Services PMI	53.3	54.5	53
06/03/2018	US	Factory Orders	-1.30%	--	1.70%
06/03/2018	US	Durable Goods Orders	-3.50%	--	-3.70%
07/03/2018	US	MBA Mortgage Applications	--	--	2.70%
07/03/2018	JN	BoP Current Account Balance	¥437.4b	--	¥797.2b
07/03/2018	JN	GDP SA QoQ	0.20%	--	0.10%
08/03/2018	GE	Factory Orders MoM	-1.70%	--	3.80%
08/03/2018	US	Initial Jobless Claims	220k	--	210k
08/03/2018	CH	Trade Balance	-\$6.20b	--	\$20.34b
09/03/2018	CH	PPI YoY	3.80%	--	4.30%
09/03/2018	CH	CPI YoY	2.50%	--	1.50%
09/03/2018	GE	Industrial Production SA MoM	0.60%	--	-0.60%
09/03/2018	FR	Industrial Production MoM	-0.30%	--	0.50%
09/03/2018	UK	Industrial Production MoM	1.50%	--	-1.30%
09/03/2018	UK	Manufacturing Production MoM	0.20%	--	0.30%
09/03/2018	US	Change in Nonfarm Payrolls	205k	--	200k
09/03/2018	US	Unemployment Rate	4.00%	--	4.10%

Source: Bloomberg

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