

Weekly Economic Update

06 February 2017



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 7,194, up 0.1%. The UK 10 year gilt yield moved from 1.47% to 1.36%.
- The Bank of England's (BOE) Monetary Policy Committee voted to leave interest rates and its quantitative easing programme unchanged. The BOE did however raise its growth forecasts for the next 3 years following better than expected performance of the economy after Brexit. Growth is forecasted to be 2% in 2017, up from the forecast of 1.4% in November.
- Members of Parliament voted in favour of allowing Theresa May, prime minister, to begin negotiations with the EU regarding the UK's departure. The government won the support of 498 members, with 114 voting against.

GLOBAL

- Global equities recovered after falls earlier in the week as global manufacturing data reassured markets and US payrolls data for January signalled continued growth.
- It has been a week of further protests and uncertainty in the US in response to president Donald Trump's travel ban imposed on 7 predominantly Muslim countries. James Robart, a federal judge in Seattle, announced a nationwide suspension of the ban on Friday which has at least temporarily re-opened doors to previously banned travellers. Trump has voiced his discontent with Robart's decision on Twitter, and the US appeals court has since rejected a request from the justice department to reintroduce the ban immediately.
- Trump's accusations towards China, Japan and Germany regarding the manipulation of their currencies caused volatility in currency markets. Shinzo Abe, Japanese prime minister, will meet with Trump this week and has offered to explain their monetary policy to Trump if required. German chancellor, Angela Merkel, responded by declaring her support for the 'independent' European Central Bank.
- US payrolls increased by 227,000 in January, ahead of estimates, although there was a downward revision of 40,000 to November's figure. 1 year wage growth fell to 2.5%, which was the lowest since August. Both the unemployment rate and participation rate edged higher in January.
- The Federal Reserve (Fed) left interest rates unchanged but provided a positive assessment of the US economy. Improved 'consumer and business sentiment' leave the Fed on course to continue raising interest rates.
- The Bank of Japan's (BoJ) yield curve control manifested itself into action for the first time last week. As 10 year yields reached 0.15%, the BoJ offered to buy an unlimited number of government bonds at a yield of 0.11%, above the market price.
- A report on Greece produced by the International Monetary Fund (IMF) has placed doubts on Greece's ability to meet targets set out in their bailout agreement if they continue down the current path. The IMF are suggesting further reforms are needed and potentially further debt relief. The report shows a more pessimistic outlook than that of the Greek government and the European Commission.

Equity Markets	Index Level 03 Feb 17	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3910	0.6%	0.3%	25.5%
FTSE 100	7194	1.3%	0.8%	28.2%
FTSE 250	18417	0.6%	1.1%	17.4%
MSCI World	1795	0.3%	0.9%	38.9%
S&P 500	2296	0.2%	0.3%	41.5%
DAX	11648	1.5%	2.4%	40.3%
Nikkei 225	18918	0.3%	1.3%	34.3%
Hang Seng	23129	-0.7%	3.8%	48.3%
MSCI World EM	915	0.8%	4.4%	51.3%

Bond Markets	Yield 03 Feb 17	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.71	0.0%	-1.7%	4.1%
FTA All Stock ILG Index	-1.63	-0.1%	0.0%	18.3%
FTA Over 5 Year ILG Index	-1.62	-0.2%	-0.1%	20.3%
FTA Under 5 Year FIG Index	0.36	0.1%	-0.2%	1.2%
FTA Over 15 Year FIG Index	1.94	-0.1%	-3.2%	7.4%

Interest Rates & Yields	Yield 03 Feb 17	Yield 31 Jan 17	Yield 31 Dec 16	Yield 03 Feb 16
UK 15 Year Gilt Yield	1.77	1.79	1.63	1.91
US 10 Year Treasury Yield	2.44	2.45	2.44	1.89
German 10 Year Yield	0.42	0.44	0.21	0.28
Spanish 10 Year Yield	1.69	1.60	1.38	1.55
Greek 10 Year Yield	7.45	7.74	7.02	9.22
Japan 10 Year Yield	0.10	0.09	0.04	0.07

Currencies Exchange Rate	03 Feb 17	31 Jan 17	31 Dec 16	03 Feb 16
GBP / EURO	1.16	1.17	1.17	1.32
GBP / YEN	140.64	142.04	144.01	171.67

Commodities	Price Level 03 Feb 17	Price Level 31 Jan 17	Price Level 31 Dec 16	Price Level 03 Feb 16
Gold \$	1,218.11	1,210.65	1,152.27	1,142.65
Wheat \$	433.25	420.75	408.00	480.00

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
06/02/2017	GE	Factory Orders MoM	0.70%	5.20%	-2.50%
07/02/2017	GE	Industrial Production SA MoM	0.30%	--	0.40%
07/02/2017	UK	Halifax House Prices MoM	0.00%	--	1.70%
07/02/2017	US	Trade Balance	-\$45.0b	--	-\$45.2b
07/02/2017	JN	BoP Current Account Balance	¥1183.3b	--	¥1415.5b
08/02/2017	US	MBA Mortgage Applications	--	--	-3.20%
08/02/2017	JN	Machine Orders MoM	3.00%	--	-5.10%
09/02/2017	US	Wholesale Inventories MoM	1.00%	--	1.00%
09/02/2017	JN	PPI YoY	0.00%	--	-1.20%
10/02/2017	JN	Tertiary Industry Index MoM	-0.002	--	0.002
10/02/2017	FR	Industrial Production MoM	-0.007	--	0.022
10/02/2017	IT	Industrial Production MoM	-0.001	--	0.007
10/02/2017	UK	Industrial Production MoM	0.002	--	0.021
10/02/2017	UK	Manufacturing Production MoM	0.005	--	0.013
10/02/2017	US	Import Price Index MoM	0.20%	--	0.40%
10/02/2017	US	U. of Mich. Sentiment	97.8	--	98.5
10/02/2017	US	Monthly Budget Statement	\$40.0b	--	-\$27.5b
10/02/2017	CH	Trade Balance	\$49.00b	--	\$40.82b

Source: Bloomberg

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