

Weekly Economic Update

08 February 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 5,847, down 3.9%, as investors followed various reports in the US and digested comments from the Bank of England. The UK 10 year gilt yield moved from 1.56% to 1.57%.
- The Monetary Policy Committee voted unanimously, with 9 votes to 0, to keep the interest rate at the current level. Governor Mark Carney suggested that there was no rush to begin raising rates, while almost ruling out a potential rate cut. Commenting that strong fundamentals in the UK put the economy in a strong position, Carney acknowledged that the UK would be affected by volatile global markets given that it is 'one of the most open economies'. The inflation report reflected a lower outlook for inflation, expected to be less than 1% for the rest of 2016, and lowered the GDP growth forecast to 2.2% from 2.5%.

GLOBAL

- Markets were mixed last week, with emerging markets relatively flat following falls in previous weeks and stocks in the US and Europe falling as firms with high valuations were sold amidst earnings worries and monetary policy speculation.
- A report released on Friday showed that unemployment in the US was at its lowest level for 8 years in January at 4.9%, meaning companies are under pressure to raise wages in order to retain staff. The report was unable to dispel concerns from disappointing services and manufacturing data earlier in the week as equity markets fell, with investors doubting the ability of companies to meet their earnings targets. This sparked a sell off in technology and consumer shares that had previously seen momentum in their share price. The sell off meant that 90% of the Nasdaq 100 index ended the week lower.
- The dollar fell last week, as investors priced in expectations of a more gradual rate rise by the Federal Reserve (Fed). William Dudley, New York Fed President, made comments that are thought to have added to the downward pressure on the dollar. He stated that there had been considerable changes in conditions since the Fed raised rates in December and that these changes would need to be considered when making further decisions on monetary policy.
- Stocks in China made rare gains last week, with the Shanghai Composite Index rising 1%. The People's Bank of China provided liquidity to banks in the amount of 330 billion yuan, providing support to markets. The yuan also ended the week stronger.
- China also lifted some of the restrictions in place on foreign funds, as part of the process to gain entry into MSCI stock indices. This move would be in a bid to bring more confidence to Chinese markets following significant outflows of capital. Trading was relatively quiet at the end of the week as investors prepared for the week-long new year holidays.
- Oil prices retained their volatility, once again falling below \$32 per barrel. Commodity producers showed signs of momentum earlier in the week as the dollar showed signs of weakness.
- Following the theme of other central banks, Sweden are expected to lower their benchmark interest rate further into negative territory as they look to combat low inflation.

Equity Markets	Index Level 02 Feb 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3216	-2.8%	-5.8%	-9.0%
FTSE 100	5847	-3.8%	-6.2%	-11.6%
FTSE 250	16019	-2.4%	-7.6%	-1.1%
MSCI World	1549	-3.3%	-5.8%	-3.6%
S&P 500	1884	-3.7%	-5.2%	-0.5%
DAX	9276	-4.4%	-9.7%	-12.5%
Nikkei 225	16820	-2.4%	-6.6%	1.9%
Hang Seng	19288	-3.7%	-10.8%	-15.2%
MSCI World EM	740	-2.8%	-5.9%	-18.8%

Bond Markets	Yield 02 Feb 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.99	-0.1%	3.5%	1.4%
FTA All Stock ILG Index	-0.89	0.0%	4.7%	1.9%
FTA Over 5 Year ILG Index	-0.89	0.0%	5.4%	2.0%
FTA Under 5 Year FIG Index	0.65	0.0%	1.1%	1.8%
FTA Over 15 Year FIG Index	2.27	-0.3%	5.9%	0.5%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	02 Feb 16	30 Nov 15	31 Dec 14	02 Feb 15
UK 10 Year Gilt Yield	1.57	1.56	1.96	1.55
UK 15 Year Gilt Yield	1.93	1.92	2.29	1.87
US 10 Year Treasury Yield	1.87	1.92	2.27	1.82
German 10 Year Yield	0.30	0.33	0.63	0.37
Spanish 10 Year Yield	1.64	1.51	1.77	1.45
Greek 10 Year Yield	9.46	9.35	8.07	9.54
Japan 10 Year Yield	0.02	0.10	0.27	0.36

Currencies Exchange Rate	02 Feb 16	30 Nov 15	31 Dec 14	02 Feb 15
	GBP / USD	1.45	1.42	1.47
GBP / EURO	1.30	1.31	1.36	1.34
GBP / YEN	169.20	172.03	177.09	179.46

Commodities	Price Level	Price Level	Price Level	Price Level
	02 Feb 16	30 Nov 15	31 Dec 14	02 Feb 15
Oil - WTI	31.7	33.6	37.0	50.5
Gold	1155	1118	1061	1265
Wheat	466	479	470	526

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
08/02/2016	JN	Labor Cash Earnings YoY	0.70%	0.10%	0.00%
08/02/2016	SP	Industrial Output NSA YoY	--	2.90%	5.70%
09/02/2016	JN	Machine Tool Orders YoY	--	--	-25.70%
09/02/2016	GE	Industrial Production SA MoM	0.50%	--	-0.30%
09/02/2016	UK	Trade Balance	(£3,000)	--	(£3,170)
09/02/2016	US	Wholesale Inventories MoM	-0.10%	--	-0.30%
09/02/2016	JN	PPI YoY	-2.80%	--	-3.40%
10/02/2016	FR	Industrial Production MoM	0.20%	--	-0.90%
10/02/2016	IT	Industrial Production MoM	0.30%	--	-0.50%
10/02/2016	UK	Industrial Production MoM	-0.10%	--	-0.70%
10/02/2016	UK	Manufacturing Production MoM	0.10%	--	-0.40%
10/02/2016	US	MBA Mortgage Applications	--	--	-2.60%
10/02/2016	US	Monthly Budget Statement	\$22.8b	--	-\$17.5b
11/02/2016	US	Initial Jobless Claims	280k	--	285k
12/02/2016	GE	CPI MoM	-0.80%	--	-0.80%
12/02/2016	GE	GDP SA QoQ	0.30%	--	0.30%
12/02/2016	SP	CPI EU Harmonised YoY	-0.40%	--	-0.40%
12/02/2016	SP	CPI MoM	-1.90%	--	-1.90%
12/02/2016	IT	GDP WDA QoQ	0.30%	--	0.20%
12/02/2016	US	Retail Sales Advance MoM	0.10%	--	-0.10%
12/02/2016	US	U. of Mich. Sentiment	92.5	--	92

Source: Bloomberg

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