

Weekly Economic Update

10 October 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 7,053, up 2.3%. The UK 10 year gilt yield moved from 0.75% to 0.98%.
- The pound fell to its lowest level in over 30 years last week. The weakening has been driven by talk of a 'hard Brexit' which would threaten the UK's status as an open economy for trading. Signals made by the government, for example regarding plans for strict immigration restrictions, have fuelled uncertainty about the long term strength of the UK economy. On Thursday evening, trading in the region of \$1.26, the pound suddenly fell by 6% before recovering to \$1.24. The 'flash crash' in the pound left many investors surprised with the consensus being that it was a result of a trading error or a snowball effect driven by algorithmic trading. The volatility in the pound followed comments by French president François Hollande that recommended the EU take a tough stance on Brexit negotiations.
- The Markit/CIPS Purchasing Managers' Index (PMI) for manufacturing in the UK rose from 52.1 to 55.4 in September, the highest level since mid-2014. The growth is believed to have been driven by the weak currency, which has encouraged demand from overseas.

GLOBAL

- Global equity markets were relatively unchanged last week, while there were rises in both government bond yields and oil prices.
- The number of nonfarm payrolls in the US rose by 156,000 in September, the Labour Department announced on Friday. Despite the number being slightly below the average estimate, the data was on the whole taken as evidence that the labour market is continuing to support the US economy. The labour participation rate increased from 62.8% to 62.9%, its highest level in 6 months, and the unemployment rate rose to 5%.
- The International Monetary Fund (IMF) has warned that current levels of global debt are at record highs and are increasing. It was reported that the current debt level is \$152 trillion, which is 2.25 times higher than the current global GDP. The IMF has asked governments to look to 'intervene early' in order to address the high debt levels, two-thirds of which is associated with the private sector. The report drew concern to the fact that debt levels have not fallen since the recession of 2008, which was driven by excessive borrowing.
- The European Central Bank (ECB) addressed speculation that they may seek to reduce the extent of their quantitative easing programme following the expiry of the current programme that ends in March. Minutes released from the ECB's September meeting showed an openness to expanding the programme if necessary and revealed that the possibility of scaling back quantitative easing had not been discussed.
- India's central bank last week cut interest rates from 6.50% to 6.25% in what was the first monetary policy decision for the new governor, Urjit Patel.
- Oil prices continued to edge upwards following the previous week's agreement to limit production. The price of WTI oil increased from \$48.24 to \$50.13.

| Equity Markets | Index Level 07 Oct 16 | Total Return (Sterling) | | |
|----------------|--------------------------|-------------------------|-------|--------|
| | | MtD | YtD | 1 Year |
| FTSE All Share | 3829 | 1.5% | 14.0% | 13.9% |
| FTSE 100 | 7053 | 2.3% | 16.8% | 15.8% |
| FTSE 250 | 18009 | 1.4% | 6.4% | 9.4% |
| MSCI World | 1718 | 2.2% | 23.1% | 29.3% |
| S&P 500 | 2154 | 2.3% | 25.3% | 34.1% |
| DAX | 10499 | 3.8% | 19.5% | 29.1% |
| Nikkei 225 | 16860 | 5.2% | 23.6% | 31.9% |
| Hang Seng | 23852 | 7.1% | 33.9% | 35.9% |
| MSCI World EM | 917 | 4.1% | 37.7% | 34.2% |

| Bond Markets | Yield 07 Oct 16 | Index % Change (Sterling) | | |
|----------------------------|--------------------|---------------------------|-------|--------|
| | | MtD | YtD | 1 Year |
| FTA All Stock Gilt Index | 1.29 | -1.0% | 12.9% | 12.3% |
| FTA All Stock ILG Index | -1.88 | 2.7% | 31.2% | 27.1% |
| FTA Over 5 Year ILG Index | -1.87 | 2.9% | 35.1% | 30.3% |
| FTA Under 5 Year FIG Index | 0.19 | -0.1% | 2.7% | 2.7% |
| FTA Over 15 Year FIG Index | 1.51 | -1.7% | 23.9% | 22.6% |

| Interest Rates & Yields | Yield 07 Oct 16 | Yield 30 Sep 16 | Yield 31 Dec 15 | Yield 07 Oct 15 |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| | | | | |
| UK 15 Year Gilt Yield | 1.37 | 1.16 | 2.29 | 2.17 |
| US 10 Year Treasury Yield | 1.76 | 1.59 | 2.27 | 2.07 |
| German 10 Year Yield | 0.03 | -0.12 | 0.63 | 0.59 |
| Spanish 10 Year Yield | 1.02 | 0.88 | 1.77 | 1.84 |
| Greek 10 Year Yield | 8.23 | 8.19 | 8.07 | 7.62 |
| Japan 10 Year Yield | -0.07 | -0.09 | 0.27 | 0.34 |

| Currencies Exchange Rate | 07 Oct 16 | 30 Sep 16 | 31 Dec 15 | 07 Oct 15 |
|--------------------------|-----------|-----------|-----------|-----------|
| | | | | |
| GBP / EURO | 1.11 | 1.16 | 1.36 | 1.36 |
| GBP / YEN | 128.13 | 131.56 | 177.09 | 183.72 |

| Commodities | Price Level 07 Oct 16 | Price Level 30 Sep 16 | Price Level 31 Dec 15 | Price Level 07 Oct 15 |
|-------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | | | |
| Gold \$ | 1,243.55 | 1,315.75 | 1,061.42 | 1,145.53 |
| Wheat \$ | 395.75 | 402.00 | 470.00 | 516.75 |

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 |
|------------|--------|------------------------------|----------|--------|----------|
| 10/10/2016 | IT | Industrial Production MoM | -0.001 | 0.017 | 0.004 |
| 10/10/2016 | CH | Money Supply M2 YoY | 0.116 | -- | 0.114 |
| 11/10/2016 | JN | BoP Current Account Balance | ¥1502.7b | -- | ¥1938.2b |
| 11/10/2016 | GE | ZEW Survey Current Situation | 55.5 | -- | 55.1 |
| 11/10/2016 | GE | ZEW Survey Expectations | 4 | -- | 0.5 |
| 12/10/2016 | JN | Machine Orders MoM | -0.046 | -- | 0.049 |
| 12/10/2016 | FR | CPI YoY | 0.004 | -- | 0.004 |
| 12/10/2016 | US | MBA Mortgage Applications | -- | -- | 0.029 |
| 13/10/2016 | JN | Tertiary Industry Index MoM | -0.002 | -- | 0.003 |
| 13/10/2016 | GE | CPI YoY | 0.007 | -- | 0.007 |
| 13/10/2016 | US | Initial Jobless Claims | 253k | -- | 249k |
| 13/10/2016 | CH | Trade Balance | \$53.00b | -- | \$52.05b |
| 14/10/2016 | JN | PPI YoY | -0.032 | -- | -0.036 |
| 14/10/2016 | CH | CPI YoY | 0.016 | -- | 0.013 |
| 14/10/2016 | SP | CPI EU Harmonised YoY | 0.001 | -- | 0.001 |
| 14/10/2016 | SP | CPI YoY | 0.003 | -- | 0.003 |
| 14/10/2016 | IT | CPI EU Harmonized YoY | 0.001 | -- | 0.001 |
| 14/10/2016 | US | Retail Sales Advance MoM | 0.006 | -- | -0.003 |
| 14/10/2016 | US | PPI Final Demand MoM | 0.002 | -- | 0 |
| 14/10/2016 | US | U. of Mich. Sentiment | 92 | -- | 91.2 |

Source: Bloomberg

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