

Weekly Economic Update

18 January 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 5,804, down 1.8%, as investors continued to weigh concerns over the effects of a weak Chinese economy on global growth. The UK 10 year gilt yield moved from 1.77% to 1.66%, with investor sentiment weakening further.
- The Bank of England kept rates unchanged on Thursday, with 8 of the 9 members once again choosing to maintain the base rate at 0.5%. Growth and inflation predictions were revised downward as consumer prices showed a rise of only 0.1% in the year to November. Minutes from the meeting also reflected concerns over the upcoming referendum on the United Kingdom's membership in the European Union, with uncertainty thought to be dampening investment and playing a role in the pound's decline.

GLOBAL

- Global equity bourses fell across the board with some meeting the technical bear market level. Signs of recovery early in the week failed to last into the third day.
- Chinese stocks have declined over 20% from their high point in December, entering a bear market for the second time since August 2015. Friday's falls were attributed once again to concerns related to volatility of the yuan, together with reports that certain banks have stopped allowing the use of smaller company shares as collateral when taking out loans. China will release a report on Tuesday, showing economic growth through the fourth quarter of 2015. The report is expected to show that annual growth has slowed to the lowest rate for over 25 years.
- The Stoxx Europe 600 Index had its third successive week of losses, officially taking on bear market status, with the index 20% less than its highest point in April 2015. Falling oil prices have increased speculation by investors that the European Central Bank will add to their quantitative easing programme sooner rather than later, especially if the meeting in March sees inflation and growth forecasts revised downwards.
- Markets in the United States are closed today for a bank holiday following a 2.2% drop on Friday, with the S&P 500 reaching its lowest level since August 2015. Energy producers continued to drive the falls along with technology companies.
- Japanese stocks also near the drop required for a bear market definition, having fallen 19% from August highs following further falls today.
- Bond yields continued to fall globally last week due to haven investing as stocks fell.
- Brent crude oil touched levels below \$28 per barrel, following developments in Iran over the weekend. Sanctions on Iran were lifted following confirmation from the International Atomic Energy Agency that Iran had met their obligations relating to their nuclear deal with the United Nations. This leaves the possibility of up to 500,000 additional barrels of crude oil entering the market each day, increasing the oversupply further and putting further downward pressure on oil prices. Stocks in the Middle East fell following the news, with Saudi Arabia's main index falling 5.4%.
- Standard and Poor's downgraded Poland's credit rating on Friday for the very first time, citing the system 'of institutional checks and balances' used by their new conservative government.

Equity Markets	Index Level 15 Jan 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3202	-5.3%	-5.3%	-3.4%
FTSE 100	5804	-7.0%	-7.0%	-7.3%
FTSE 250	16161	-5.8%	-5.8%	5.8%
MSCI World	1549	-4.7%	-4.7%	0.4%
S&P 500	1872	-3.8%	-3.8%	3.6%
DAX	9545	-7.2%	-7.2%	-4.5%
Nikkei 225	17147	-3.3%	-3.3%	6.4%
Hang Seng	19521	-8.7%	-8.7%	-12.5%
MSCI World EM	723	-6.9%	-6.9%	-18.6%

Bond Markets	Yield 15 Jan 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	2.13	1.8%	1.8%	-0.1%
FTA All Stock ILG Index	-0.80	2.4%	2.4%	-2.1%
FTA Over 5 Year ILG Index	-0.80	2.8%	2.8%	-2.4%
FTA Under 5 Year FIG Index	0.79	0.6%	0.6%	1.3%
FTA Over 15 Year FIG Index	2.41	2.9%	2.9%	-1.8%

Interest Rates & Yields	Yield 15 Jan 16	Yield 30 Nov 15	Yield 31 Dec 14	Yield 15 Jan 15
UK 15 Year Gilt Yield	2.04	2.29	2.29	1.88
US 10 Year Treasury Yield	2.02	2.27	2.27	1.71
German 10 Year Yield	0.54	0.63	0.63	0.47
Spanish 10 Year Yield	1.75	1.77	1.77	1.59
Greek 10 Year Yield	8.76	8.07	8.07	8.97
Japan 10 Year Yield	0.22	0.27	0.27	0.25

Currencies Exchange Rate	15 Jan 16	30 Nov 15	31 Dec 14	15 Jan 15
GBP / EURO	1.30	1.36	1.36	1.31
GBP / YEN	166.54	177.09	177.09	176.86

Commodities	Price Level 15 Jan 16	Price Level 30 Nov 15	Price Level 31 Dec 14	Price Level 15 Jan 15
Gold	1093	1061	1061	1263
Wheat	473	470	470	533

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
18/01/2016	UK	Rightmove House Prices MoM	--	0.50%	-1.10%
18/01/2016	JN	Industrial Production MoM	--	-0.90%	-1.00%
19/01/2016	CH	Industrial Production YoY	6.00%	--	6.20%
19/01/2016	CH	Retail Sales YoY	11.30%	--	11.20%
19/01/2016	CH	GDP YoY	6.90%	--	6.90%
19/01/2016	JN	Machine Tool Orders YoY	--	--	-25.80%
19/01/2016	GE	CPI MoM	-0.10%	--	-0.10%
19/01/2016	UK	CPI MoM	0.00%	--	0.00%
19/01/2016	UK	PPI Output NSA MoM	-0.20%	--	-0.20%
19/01/2016	GE	ZEW Survey Current Situation	53.1	--	55
20/01/2016	GE	PPI MoM	-0.40%	--	-0.20%
20/01/2016	UK	Claimant Count Rate	2.30%	--	2.30%
20/01/2016	UK	Jobless Claims Change	2.8k	--	3.9k
20/01/2016	UK	ILO Unemployment Rate 3Mths	5.20%	--	5.20%
20/01/2016	US	MBA Mortgage Applications	--	--	21.30%
20/01/2016	US	Housing Starts	1200k	--	1173k
20/01/2016	US	CPI MoM	0.00%	--	0.00%
21/01/2016	JN	All Industry Activity Index MoM	-0.70%	--	1.00%
21/01/2016	FR	Manufacturing Confidence	103	--	103
21/01/2016	US	Initial Jobless Claims	280k	--	284k
22/01/2016	JN	Nikkei Japan PMI Mfg	52.8	--	52.6
22/01/2016	GE	Markit/BME Germany Manufacturing PMI	53	--	53.2
22/01/2016	UK	Retail Sales Ex Auto Fuel MoM	-0.30%	--	1.70%
22/01/2016	US	Markit US Manufacturing PMI	51	--	51.2
22/01/2016	US	Existing Home Sales	5.20m	--	4.76m

Source: Bloomberg

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