

Weekly Economic Update

18 July 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,669, up 1.2%. The index has climbed by more than 20% since its low point in February, meeting the technical definition of a bull market albeit with high levels of volatility. The UK 10 year gilt yield moved from 0.74% to 0.83%.
- The Bank of England opted against a cut in interest rates last week, with the monetary policy committee voting 8 to 1 to leave the base rate unchanged at 0.5%. The decision came as a surprise to the majority and there was an initial surge in the pound following the decision. However, minutes from the meeting hinted strongly towards action in August and some of the gains in the pound were erased as investors acknowledged this.
- Theresa May was officially appointed as prime minister on Wednesday. Soon after, she proceeded to make significant changes to the members of the cabinet. Among the talking points were Boris Johnson's new position as foreign secretary, the sackings of George Osborne and Michael Gove, and the introduction of a new 'Brexit minister' role taken by David Davis.

GLOBAL

- Global equities ended the week higher on the back of positive data releases. France were in mourning after an attack in Nice and there were further casualties in Turkey as a faction of their army attempted to remove the government from power.
- At least 84 people were killed in Nice last week after an attack during Bastille Day celebrations. These events dominated the news during the week, and falls in the share prices of travel and leisure companies following the attack dragged down European stocks after a period of gains.
- The rally in US stocks continued, as the S&P 500 reached a record high for 4 successive days as sentiment improved with data. Retail sales were up 0.6% in June, far ahead of estimates of a rise of just 10 basis points. The Consumer Price Index was also reported to have increased by 0.2% in June, meaning an increase in 1% over the previous 12 months. Investors began to price in higher odds of a rate rise this year in the US following the encouraging data releases.
- GDP growth in China continued at an annualised rate of 6.7% in the 2nd quarter, matching the growth in the first 3 months of the year. The growth was driven by an increase in domestic consumer demand and investment in the Chinese property market. Emerging market equities rallied through the week, reaching their highest levels since November.
- On Friday, a portion of Turkey's army attempted to overthrow the Turkish government through occupation of Istanbul's airport, television stations, bridges and other key points in the city. President Recep Tayyip Erdogan, aided by the Turkish public, was able to overcome those involved in the attempted coup and over 6,000 arrests have been made. It is thought that the death toll from events is near 300.

Equity Markets	Index Level 15 Jul 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3607	2.6%	7.0%	1.8%
FTSE 100	6669	2.6%	9.3%	2.7%
FTSE 250	16727	2.9%	-2.5%	-2.5%
MSCI World	1701	3.6%	16.2%	17.1%
S&P 500	2162	3.8%	19.7%	24.4%
DAX	10067	4.6%	6.9%	4.5%
Nikkei 225	16498	4.4%	11.6%	12.4%
Hang Seng	21659	5.0%	13.6%	6.7%
MSCI World EM	868	5.0%	24.3%	12.8%

Bond Markets	Yield 15 Jul 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.36	0.4%	11.8%	15.1%
FTA All Stock ILG Index	-1.36	-0.2%	15.8%	16.6%
FTA Over 5 Year ILG Index	-1.36	-0.2%	18.1%	19.1%
FTA Under 5 Year FIG Index	0.26	-0.1%	2.5%	3.4%
FTA Over 15 Year FIG Index	1.58	0.7%	21.8%	27.4%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	15 Jul 16	30 Jun 16	31 Dec 15	15 Jul 15
UK 10 Year Gilt Yield	0.83	0.87	1.96	2.12
UK 15 Year Gilt Yield	1.39	1.40	2.29	2.51
US 10 Year Treasury Yield	1.55	1.47	2.27	2.35
German 10 Year Yield	0.01	-0.13	0.63	0.83
Spanish 10 Year Yield	1.23	1.16	1.77	2.01
Greek 10 Year Yield	7.74	8.18	8.07	12.30
Japan 10 Year Yield	-0.23	-0.23	0.27	0.45

Currencies Exchange Rate	15 Jul 16	30 Jun 16	31 Dec 15	15 Jul 15
	GBP / USD	1.32	1.33	1.47
GBP / EURO	1.19	1.20	1.36	1.43
GBP / YEN	138.92	136.92	177.09	193.60

Commodities	Price Level	Price Level	Price Level	Price Level
	15 Jul 16	30 Jun 16	31 Dec 15	15 Jul 15
Oil - WTI	45.95	48.33	37.04	51.41
Gold	1,337.50	1,322.20	1,061.42	1,149.42
Wheat	424.75	431.25	470.00	566.75

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
18/07/2016	UK	Rightmove House Prices MoM	--	-0.009	0.008
18/07/2016	US	Net Long-term TIC Flows	--	--	-\$79.6b
19/07/2016	UK	CPI MoM	0.002	--	0.002
19/07/2016	UK	RPI MoM	0.002	--	0.003
19/07/2016	UK	PPI Output NSA MoM	0.002	--	0.001
19/07/2016	GE	ZEW Survey Current Situation	51.8	--	54.5
19/07/2016	US	Housing Starts	1165k	--	1164k
19/07/2016	US	Building Permits	1150k	--	1138k
20/07/2016	GE	PPI MoM	0.002	--	0.004
20/07/2016	UK	Claimant Count Rate	0.022	--	0.022
20/07/2016	UK	Jobless Claims Change	3.0k	--	-0.4k
20/07/2016	UK	ILO Unemployment Rate 3Mths	0.05	--	0.05
20/07/2016	US	MBA Mortgage Applications	--	--	0.072
21/07/2016	JN	All Industry Activity Index MoM	-0.011	--	0.013
21/07/2016	FR	Manufacturing Confidence	101	--	102
21/07/2016	UK	Retail Sales Ex Auto Fuel MoM	-0.006	--	0.01
21/07/2016	UK	Retail Sales Inc Auto Fuel MoM	-0.005	--	0.009
21/07/2016	UK	PSNB ex Banking Groups	9.5b	--	9.7b
21/07/2016	US	Initial Jobless Claims	265k	--	254k
21/07/2016	US	Philadelphia Fed Business Outlook	4.5	--	4.7
21/07/2016	US	Existing Home Sales	5.48m	--	5.53m
21/07/2016	US	Leading Index	0.002	--	-0.002
22/07/2016	JN	Nikkei Japan PMI Mfg	--	--	48.1
22/07/2016	FR	Markit France Manufacturing PMI	48	--	48.3
22/07/2016	GE	Markit/BME Germany Manufacturing PMI	53.4	--	54.5
22/07/2016	IT	Industrial Orders MoM	--	--	0.01
22/07/2016	UK	Markit UK PMI Manufacturing SA	47.8	--	52.1
22/07/2016	IT	Retail Sales MoM	-0.002	--	0.001

Source: Bloomberg

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