

Weekly Economic Update

19 December 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 7,003, up 0.7%. The UK 10 year gilt yield ended the week unchanged at 1.45%.
- The Bank of England's Monetary Policy Committee all voted, without exception, to keep monetary policy unchanged. Interest rates therefore remain at 0.25% and levels of quantitative easing are unchanged. The committee noted that the recent appreciation of sterling means a marginally lower forecasted rate of inflation, but inflation is still expected to exceed the target later in 2017. Unemployment is still forecasted to rise in 2017 and inflation growth is expected to exceed wage growth.
- The consumer price index, CPI, climbed to 1.2% in November, up from 0.9% in October. The figure was ahead of expectations and according to the Office for National Statistics, it was driven by increased prices for clothing and petrol.

GLOBAL

- Global equities ended the week higher on the whole, as markets digested the monetary policy decision in the US.
- As expected, the Federal Reserve (Fed) announced an increase to their key target interest rate last week. The rate was increased by 0.25% to a range of 0.50% to 0.75%, exactly 12 months after the last rate hike. The more surprising element of the statement was the additional rate rise forecasted for 2017, with the Fed now forecasting 3 rate rises next year, up from the previous forecast of 2. Chair of the Fed, Janet Yellen, cited falling unemployment and improved growth forecasts as reasons. While acknowledging unpredictability around fiscal policy and its impact on monetary policy, Yellen confirmed that Donald Trump's election was one of the factors considered when making growth predictions. However, projections were only lifted marginally from 2% to 2.1% for 2017 and are far below Trump's promised growth of 4%.
- US Treasury yields continued to rise as investors responded to the Fed's projections, and the S&P 500 also continued to climb until falling back slightly on Friday. The US dollar's strengthening continued this week with the Fed's rate decision. European banking stocks performed well with the prospect of higher yields boosting the outlook on the sector.
- Donald Trump confirmed that he will appoint former chief of Exxon Mobil, Rex Tillerson, as the US Secretary of State. The appointment has provoked significant and widespread criticism given Tillerson's previous ties to Russian president Vladimir Putin through their business in the oil industry. Tillerson will need to be approved by the Senate, who would expect Tillerson to fulfil the role free of any conflicts of interest. The topic is particularly sensitive at the moment amidst speculation that Russia may have had an influence on the result of the US election.
- Oil prices were relatively steady through the week, closing just \$0.10 higher at \$51.60. Gold prices have been falling since early November, falling sharply this week to close at \$1,134.75.

Equity Markets	Index Level 16 Dec 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3801	2.9%	14.4%	17.7%
FTSE 100	7003	3.3%	16.7%	20.3%
FTSE 250	17807	1.5%	4.8%	7.0%
MSCI World	1755	3.0%	28.2%	30.3%
S&P 500	2262	3.4%	33.9%	34.6%
DAX	11413	6.0%	21.0%	25.5%
Nikkei 225	19401	3.1%	24.3%	27.0%
Hang Seng	22021	-3.2%	23.2%	26.7%
MSCI World EM	859	0.0%	31.2%	34.7%

Bond Markets	Yield 16 Dec 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.80	-1.1%	6.9%	6.9%
FTA All Stock ILG Index	-1.42	-1.6%	18.3%	16.9%
FTA Over 5 Year ILG Index	-1.42	-1.8%	20.7%	19.1%
FTA Under 5 Year FIG Index	0.40	-0.1%	2.2%	2.1%
FTA Over 15 Year FIG Index	2.04	-2.2%	12.3%	12.2%

Interest Rates & Yields	Yield 16 Dec 16	Yield 30 Nov 16	Yield 31 Dec 15	Yield 16 Dec 15
UK 15 Year Gilt Yield	1.86	1.80	2.29	2.30
US 10 Year Treasury Yield	2.59	2.38	2.27	2.30
German 10 Year Yield	0.33	0.28	0.63	0.68
Spanish 10 Year Yield	1.44	1.55	1.77	1.76
Greek 10 Year Yield	7.17	6.52	8.07	8.13
Japan 10 Year Yield	0.08	0.02	0.27	0.30

Currencies Exchange Rate	16 Dec 16	30 Nov 16	31 Dec 15	16 Dec 15
GBP / EURO	1.19	1.18	1.36	1.37
GBP / YEN	146.63	142.64	177.09	182.90

Commodities	Price Level 16 Dec 16	Price Level 30 Nov 16	Price Level 31 Dec 15	Price Level 16 Dec 15
Gold \$	1,134.75	1,173.25	1,061.42	1,072.31
Wheat \$	407.00	380.50	470.00	483.50

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
19/12/2016	GE	IFO Business Climate	110.6	111	110.4
19/12/2016	GE	IFO Expectations	105.6	105.6	105.5
19/12/2016	US	Markit US Services PMI	55.2	--	54.6
19/12/2016	US	Markit US Composite PMI	--	--	54.9
21/12/2016	JN	All Industry Activity Index MoM	0.10%	--	0.20%
21/12/2016	UK	Public Sector Net Borrowing	11.6b	--	4.3b
21/12/2016	US	MBA Mortgage Applications	--	--	-4.00%
21/12/2016	US	Existing Home Sales	5.50m	--	5.60m
22/12/2016	IT	Retail Sales MoM	0.30%	--	-0.60%
22/12/2016	US	GDP Annualized QoQ	3.30%	--	3.20%
22/12/2016	US	Durable Goods Orders	-4.50%	--	4.60%
22/12/2016	US	Initial Jobless Claims	259k	--	254k
22/12/2016	US	Personal Income	0.30%	--	0.60%
22/12/2016	US	Personal Spending	0.30%	--	0.30%
22/12/2016	US	Leading Index	0.20%	--	0.10%
23/12/2016	FR	GDP QoQ	0.20%	--	0.20%
23/12/2016	UK	GDP QoQ	0.50%	--	0.50%
23/12/2016	US	New Home Sales	575k	--	563k
23/12/2016	US	U. of Mich. Sentiment	98	--	98

Source: Bloomberg

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