

Weekly Economic Update

20 June 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- Markets were driven by investor uncertainty towards the UK's EU referendum. The FTSE 100 closed the week at 6,021, down 1.5%. The UK 10 year gilt yield moved from 1.23% to 1.14%. Sterling reached a two week low on Wednesday.
- Opinion polls during the week showed a swing towards leaving Europe and the Sun newspaper urged readers to vote for leave. Both the leave and remain campaigns were halted when Labour member Jo Cox was murdered whilst meeting constituents.
- All members of the Bank of England's monetary policy committee voted to maintain the Bank rate at 0.5% and the size of the asset purchase programme at £375bn, as they wait for the outcome of the referendum and vowed to take necessary actions following the event to meet their inflation target.
- UK Consumer prices rose 0.3% in May as transport costs were higher than the fall in clothing prices.

GLOBAL

- Global equities slipped over the week as markets weighed in the possibility of the UK leaving the European Union, alongside major central banks maintaining monetary policy which saw global sovereign debt yields fall to new lows.
- The Federal Reserve's monetary policy committee voted unanimously to hold its target Fed Funds rate between 0.25% and 0.50%. The statement released cited that business investment was poor and jobs gains had faltered, though household spending was strengthening and the drag from net exports was lower. The quarterly forecasts showed policy makers still expecting two rate increases in the year but a slower path in the longer run. Janet Yellen commented that although May's employment report was weak it was one month of data and noted that jobless claims and openings were positive. When questioned at the press conference, Yellen stated that Brexit risk was considered in committee discussions.
- US industrial production fell more than expected in May following a decline in utilities output and manufacturing, declining 0.4%. US consumer prices edged higher in May by 0.2% and the Empire State manufacturing survey was higher for a third month in four. Housing starts were down 0.3% on the month.
- Eurozone industrial production rose 1.1% more than expected in April due to a rise in the output of durable consumer goods.
- The Bank of Japan held its monetary policy unchanged as policy-makers look to assess the effects of the negative policy rate further. The Swiss National Bank also maintained its negative interest rate, and continues to note that the franc is overvalued.
- Chinese data released through the week was mixed, fixed asset investment data was weak though retail sales and industrial production data met economic forecasts. Index provider MSCI decided against including mainland China A shares in its Emerging Markets index, indicating they would like to see further improvements in the accessibility of the shares.
- Oil prices fell after the Energy Information Agency released a report that showed lower than expected fall in supply piles.

Equity Markets	Index Level 17 Jun 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3309	-3.3%	-1.9%	-5.8%
FTSE 100	6021	-3.1%	-1.4%	-6.2%
FTSE 250	16422	-4.3%	-4.5%	-4.7%
MSCI World	1636	-0.8%	2.8%	4.7%
S&P 500	2071	0.3%	5.4%	10.7%
DAX	9631	-3.7%	-4.1%	-3.6%
Nikkei 225	15600	-2.5%	-1.8%	1.0%
Hang Seng	20170	-0.9%	-3.5%	-13.8%
MSCI World EM	806	1.5%	5.5%	-6.1%

Bond Markets	Yield 17 Jun 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.65	2.6%	8.2%	10.8%
FTA All Stock ILG Index	-1.09	3.8%	9.3%	9.0%
FTA Over 5 Year ILG Index	-1.09	4.4%	10.7%	10.4%
FTA Under 5 Year FIG Index	0.49	0.4%	1.8%	2.7%
FTA Over 15 Year FIG Index	1.88	4.6%	14.7%	19.0%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	17 Jun 16	31 May 16	31 Dec 15	17 Jun 15
UK 10 Year Gilt Yield	1.14	1.43	1.96	2.06
UK 15 Year Gilt Yield	1.72	1.93	2.29	2.47
US 10 Year Treasury Yield	1.61	1.85	2.27	2.32
German 10 Year Yield	0.02	0.14	0.63	0.81
Spanish 10 Year Yield	1.56	1.47	1.77	2.33
Greek 10 Year Yield	8.05	7.18	8.07	12.77
Japan 10 Year Yield	-0.16	-0.12	0.27	0.48

Currencies Exchange Rate	17 Jun 16	31 May 16	31 Dec 15	17 Jun 15
	GBP / USD	1.43	1.45	1.47
GBP / EURO	1.27	1.30	1.36	1.40
GBP / YEN	149.20	160.65	177.09	195.29

Commodities	Price Level	Price Level	Price Level	Price Level
	17 Jun 16	31 May 16	31 Dec 15	17 Jun 15
Oil - WTI	48.0	49.1	37.0	59.9
Gold	1299	1215	1061	1186
Wheat	481	465	470	491

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
20/06/2016	UK	Rightmove House Prices MoM	--	0.80%	0.40%
20/06/2016	JN	Trade Balance	¥70.0b	-¥40.7b	¥823.5b
20/06/2016	JN	Trade Balance Adjusted	¥113.4b	¥269.8b	¥426.6b
20/06/2016	GE	PPI YoY	-2.90%	-2.70%	-3.10%
21/06/2016	JN	All Industry Activity Index MoM	1.20%	--	0.10%
22/06/2016	US	FHFA House Price Index MoM	0.60%	--	0.70%
22/06/2016	US	Existing Home Sales	5.55m	--	5.45m
23/06/2016	JN	Nikkei Japan PMI Mfg	--	--	47.7
23/06/2016	JN	Leading Index CI	--	--	100.5
23/06/2016	FR	Markit France Manufacturing PMI	48.7	--	48.4
23/06/2016	FR	Markit France Services PMI	51.6	--	51.6
23/06/2016	FR	Markit France Composite PMI	51	--	50.9
23/06/2016	GE	Markit/BME Germany Manufacturing PMI	52	--	52.1
23/06/2016	GE	Markit Germany Services PMI	55	--	55.2
23/06/2016	GE	Markit/BME Germany Composite PMI	54.3	--	54.5
23/06/2016	IT	Industrial Orders MoM	--	--	-3.30%
23/06/2016	US	Initial Jobless Claims	270k	--	277k
23/06/2016	US	Continuing Claims	2144k	--	2157k
23/06/2016	US	Markit US Manufacturing PMI	50.9	--	50.7
23/06/2016	US	New Home Sales	560k	--	619k
23/06/2016	US	Leading Index	0.10%	--	0.60%
24/06/2016	FR	GDP QoQ	0.60%	--	0.60%
24/06/2016	SP	PPI MoM	--	--	-0.10%
24/06/2016	GE	IFO Business Climate	107.4	--	107.7
24/06/2016	IT	Retail Sales MoM	0.40%	--	-0.60%
24/06/2016	US	Durable Goods Orders	-0.40%	--	3.40%
24/06/2016	US	Cap Goods Orders Nondef Ex Air	0.30%	--	-0.60%
27/06/2016	US	Markit US Services PMI	--	--	51.3
27/06/2016	US	Markit US Composite PMI	--	--	50.9
27/06/2016	GE	Retail Sales MoM	--	--	-0.90%

Source: Bloomberg

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