

Weekly Economic Update

25 January 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 5,900, up 1.7%, as markets rallied at the end of the week due to increased optimism that central banks will be undertaking further easing of monetary policy. The UK 10 year gilt yield moved from 1.66% to 1.71%, with investors moving into risk assets with sentiment improving.
- A report released by Capita forecasts that dividends in the UK are to fall by 0.9% in 2016, as commodity reliant companies and retailers look to remain sustainable despite low commodity prices and weak consumer sentiment.

GLOBAL

- Markets showed signs of recovery at the end of the week, as markets were boosted by indications that policy easing will be encouraged in Europe and China following significant falls at the start of the year.
- European stock markets bounced back on Thursday following severe falls after President of the European Central Bank (ECB), Mario Draghi, spoke on Thursday. Draghi showed recognition of current risks, with his dovish comments suggesting further easing of monetary policy in March is likely as he stated there are no limits to the action that the ECB can take.
- On Tuesday, data was released showing that China's economy grew by 6.9% in 2015 more or less as expected, lower than 2014's growth figure of 7.3%. This was the slowest rate of growth for China in 25 years. Markets fell on Wednesday as rumours of policy easing failed to come to fruition. Chinese stocks in Hong Kong fell to levels not seen since the last financial crisis, as the weakness of the Hong Kong dollar led to concerns over capital outflows. Falls were once again driven by oil producers and also property developers. China's Vice President, Li Yuanchao, underlined that the government would continue to make attempts to regulate and support the stock market, such that long term investors do not lose out due to volatility caused by speculation in markets.
- The Federal Reserve will meet this week, with investors likely to look for clues on the expected path of interest rate rises. It is anticipated that there will be an element of caution following volatility in markets so far in 2016.
- The Bank of Japan (BoJ) will meet to review current policy later this week after data showed that exports fell in the year to December by the most in three years. This may act as a signal to the BoJ that the weak yen has been unable to sufficiently boost exports.
- Oil prices rebounded at the end of the week following falls that took Brent crude to below \$27 per barrel. Central banks' stated willingness for expansionary measures pushed oil to \$32, the price level that was seen near the start of January.
- Saudi Arabia reaffirmed its stance in regards to its oil supply, insisting that they will not act alone to reduce supply and stabilise oil prices. Chairman of Saudi Aramco stated that the country was able to withstand low oil prices 'for a long time' given their low costs of production.
- Yields on government bonds rose towards the end of the week, as investors looked to move back into risk assets. Similarly gold's advance was halted at the end of the week, as investors eased their haven demand.

Equity Markets	Index Level 22 Jan 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3242	-5.8%	-5.8%	-7.9%
FTSE 100	5900	-5.4%	-5.4%	-9.9%
FTSE 250	16128	-7.4%	-7.4%	1.0%
MSCI World	1537	-4.7%	-4.7%	-3.2%
S&P 500	1907	-3.7%	-3.7%	-0.8%
DAX	9765	-6.6%	-6.6%	-6.6%
Nikkei 225	16959	-6.0%	-6.0%	2.5%
Hang Seng	19081	-10.7%	-10.7%	-15.8%
MSCI World EM	711	-7.7%	-7.7%	-21.9%

Bond Markets	Yield 22 Jan 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	2.11	2.1%	2.1%	-0.2%
FTA All Stock ILG Index	-0.81	3.0%	3.0%	-2.6%
FTA Over 5 Year ILG Index	-0.81	3.5%	3.5%	-3.0%
FTA Under 5 Year FIG Index	0.78	0.6%	0.6%	1.2%
FTA Over 15 Year FIG Index	2.39	3.4%	3.4%	-2.1%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	22 Jan 16	30 Nov 15	31 Dec 14	22 Jan 15
UK 10 Year Gilt Yield	1.71	1.96	1.96	1.52
UK 15 Year Gilt Yield	2.07	2.29	2.29	1.85
US 10 Year Treasury Yield	2.05	2.27	2.27	1.86
German 10 Year Yield	0.48	0.63	0.63	0.45
Spanish 10 Year Yield	1.73	1.77	1.77	1.41
Greek 10 Year Yield	9.01	8.07	8.07	8.77
Japan 10 Year Yield	0.23	0.27	0.27	0.31

Currencies Exchange Rate	22 Jan 16	30 Nov 15	31 Dec 14	22 Jan 15
	GBP / USD	1.43	1.47	1.47
GBP / EURO	1.32	1.36	1.36	1.32
GBP / YEN	169.42	177.09	177.09	177.47

Commodities	Price Level	Price Level	Price Level	Price Level
	22 Jan 16	30 Nov 15	31 Dec 14	22 Jan 15
Oil - WTI	32.2	37.0	37.0	46.3
Gold	1098	1061	1061	1302
Wheat	476	470	470	534

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
25/01/2016	GE	IFO Business Climate	108.4	107.3	108.7
26/01/2016	US	FHFA House Price Index MoM	0.50%	--	0.50%
26/01/2016	US	Markit US Composite PMI	--	--	54
26/01/2016	US	Consumer Confidence Index	96.5	--	96.5
27/01/2016	UK	Nationwide House PX MoM	0.60%	--	0.80%
27/01/2016	FR	Consumer Confidence	96	--	96
27/01/2016	IT	Consumer Confidence Index	117	--	117.6
27/01/2016	IT	Business Confidence	103.8	--	104.1
27/01/2016	US	New Home Sales	500k	--	490k
27/01/2016	US	FOMC Rate Decision (Upper Bound)	0.50%	--	0.50%
28/01/2016	SP	Unemployment Rate	21.20%	--	21.18%
28/01/2016	UK	GDP QoQ	0.50%	--	0.40%
28/01/2016	GE	CPI MoM	-0.80%	--	-0.10%
28/01/2016	US	Initial Jobless Claims	281k	--	293k
28/01/2016	US	Durable Goods Orders	-0.50%	--	0.00%
28/01/2016	JN	Jobless Rate	3.30%	--	3.30%
28/01/2016	JN	Natl CPI YoY	0.20%	--	0.30%
28/01/2016	JN	Industrial Production MoM	-0.30%	--	-0.90%
29/01/2016	FR	GDP QoQ	0.20%	--	0.30%
29/01/2016	GE	Retail Sales MoM	0.40%	--	0.20%
29/01/2016	FR	CPI MoM	-0.90%	--	0.20%
29/01/2016	SP	CPI MoM	-1.50%	--	-0.30%
29/01/2016	SP	GDP QoQ	0.80%	--	0.80%
29/01/2016	US	GDP Annualized QoQ	0.80%	--	2.00%
29/01/2016	US	U. of Mich. Sentiment	93	--	93.3
29/01/2016	JN	Bank of Japan Monetary Policy Statement			

Source: Bloomberg

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