

# Weekly Economic Update

27 February 2017



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 7,244, down 0.8%. The UK 10 year gilt yield moved from 1.21% to 1.08%.
- According to the Office for National Statistics UK GDP increased by 0.7%, which was higher than previously reported as a result of an upward revision related to the manufacturing industry.
- Mark Carney, governor of the Bank of England, spoke to the Treasury Select Committee last week, and stated that a smooth Brexit process would be "consistent with a higher path of interest rates". Carney predicted that inflation will be higher than the target level and attributes the rise in prices to effects of the fall in sterling.
- Brexit debates will start this week with the House of Lords taking a closer look at the proposed bill.

## GLOBAL

- Global equities posted gains for the week following encouraging economic data, US indices reached all-time highs once again as market participants remain optimistic that President Trump will reduce regulation, implement infrastructure spending and cut taxes.
- The US Federal Reserve released minutes of the last meeting which signalled to markets that March is live for a rate hike. Policy makers cited that if the current path of jobs data and inflation continues, "it might be appropriate to raise the federal funds rate again fairly soon". The Federal Reserve increased the rate last in December and indicated the potential for three hikes in 2017.
- President Trump made comments last week supporting a proposal for a "border adjustment tax", suggesting this would shift behaviour of companies' manufacturing operations. The White House press office barred several news organisations at a briefing on Friday including the BBC and Guardian.
- Eurozone PMI data showed increased business activity in February reaching highest levels in almost 6 years. The overall flash composite index reached 56.0 up from 54.4. France reported a composite PMI ahead of expectations of 56.2, and Germany posted 56.1.
- French presidential candidate Ms. Le Pen has narrowed the gap with other candidates according to polls last week. Le Pen has given rise to fear of 'Frexit' as she is pro leaving the euro, this saw 5 year government bond yields rise as markets reacted. Credit default swaps on French government debt also saw trading volume pick up.
- Greek government bond yields began to fall following signs of progress with talks with its creditors.
- A flash manufacturing index for Japan rose to 53.5 in February versus 52.7 last month, this was led by gains in new orders, employment, new export orders and output.
- The central bank of Brazil decided to cut rates by 0.75% in an effort to stimulate the economy out of recession.
- Oil prices moved higher following data released by the US Energy Information Administration that showed crude stock piles grew less than expected.

Equity Markets	Index Level 24 Feb 17	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3939	2.7%	2.4%	27.0%
FTSE 100	7244	2.8%	2.2%	28.8%
FTSE 250	18589	2.5%	3.0%	18.6%
MSCI World	1841	3.8%	4.4%	37.6%
S&P 500	2367	5.0%	5.1%	40.0%
DAX	11804	1.1%	2.0%	37.9%
Nikkei 225	19284	2.8%	3.9%	34.4%
Hang Seng	23966	3.5%	8.2%	45.6%
MSCI World EM	944	4.7%	8.5%	47.0%

Bond Markets	Yield 24 Feb 17	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.49	2.7%	1.0%	5.8%
FTA All Stock ILG Index	-1.69	0.8%	0.9%	20.5%
FTA Over 5 Year ILG Index	-1.69	0.8%	0.9%	22.8%
FTA Under 5 Year FIG Index	0.19	0.5%	0.2%	1.2%
FTA Over 15 Year FIG Index	1.71	4.5%	1.2%	11.0%

Interest Rates & Yields	Yield 24 Feb 17	Yield 31 Jan 17	Yield 31 Dec 16	Yield 24 Feb 16
UK 15 Year Gilt Yield	1.51	1.79	1.63	1.80
US 10 Year Treasury Yield	2.31	2.45	2.44	1.75
German 10 Year Yield	0.19	0.44	0.21	0.15
Spanish 10 Year Yield	1.70	1.60	1.38	1.62
Greek 10 Year Yield	7.08	7.74	7.02	10.48
Japan 10 Year Yield	0.06	0.09	0.04	-0.06

Currencies Exchange Rate	24 Feb 17	31 Jan 17	31 Dec 16	24 Feb 16
GBP / EURO	1.18	1.17	1.17	1.26
GBP / YEN	139.87	142.04	144.01	155.13

Commodities	Price Level 24 Feb 17	Price Level 31 Jan 17	Price Level 31 Dec 16	Price Level 24 Feb 16
Gold \$	1,257.15	1,210.65	1,152.27	1,228.75
Wheat \$	431.25	420.75	408.00	442.75

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
27/02/2017	US	Durable Goods Orders	1.70%	--	-0.50%
27/02/2017	US	Pending Home Sales MoM	1.00%	--	1.60%
27/02/2017	JN	Industrial Production MoM	0.40%	--	0.70%
28/02/2017	FR	CPI EU Harmonized YoY	1.70%	--	1.60%
28/02/2017	FR	GDP QoQ	0.40%	--	0.40%
28/02/2017	IT	CPI EU Harmonized YoY	1.30%	--	1.00%
28/02/2017	US	GDP Annualized QoQ	2.10%	--	1.90%
28/02/2017	US	Wholesale Inventories MoM	0.40%	--	1.00%
01/03/2017	JN	Nikkei Japan PMI Mfg	--	--	53.5
01/03/2017	CH	Manufacturing PMI	51.2	--	51.3
01/03/2017	UK	Nationwide House Px NSA YoY	4.10%	--	4.30%
01/03/2017	SP	Markit Spain Manufacturing PMI	55.8	--	55.6
01/03/2017	IT	Markit/ADACI Italy Manufacturing PMI	53.5	--	53
01/03/2017	FR	Markit France Manufacturing PMI	52.3	--	52.3
01/03/2017	GE	Markit/BME Germany Manufacturing PMI	57	--	57
01/03/2017	GE	Unemployment Change (000's)	-10k	--	-26k
01/03/2017	UK	Markit UK PMI Manufacturing SA	55.8	--	55.9
01/03/2017	UK	Mortgage Approvals	68.7k	--	67.9k
01/03/2017	GE	CPI EU Harmonized YoY	2.10%	--	1.90%
01/03/2017	US	Markit US Manufacturing PMI	54.5	--	54.3
01/03/2017	US	ISM Manufacturing	56	--	56
01/03/2017	US	U.S. Federal Reserve Releases Beige Book			
02/03/2017	SP	GDP QoQ	0.70%	--	0.70%
02/03/2017	UK	Markit/CIPS UK Construction PMI	52	--	52.2
02/03/2017	US	Initial Jobless Claims	245k	--	244k
02/03/2017	US	Continuing Claims	2065k	--	2060k
02/03/2017	JN	Natl CPI YoY	0.40%	--	0.30%
03/03/2017	GE	Retail Sales YoY	0.70%	--	-1.10%
03/03/2017	IT	GDP WDA QoQ	1.10%	--	0.20%
03/03/2017	UK	Markit/CIPS UK Composite PMI	55.6	--	55.5
03/03/2017	US	Markit US Composite PMI	--	--	54.3
03/03/2017	US	ISM Non-Manf. Composite	56.5	--	56.5

Source: Bloomberg

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