

# Weekly Economic Update

31 October 2016



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 6,996, down -0.3%. The UK 10 year gilt yield moved from 1.09% to 1.26%.
- The Office for National Statistics showed that the UK economy grew 0.5% in Q3 and 2.3% over one year, a better than expected result. Services' growth balanced other weaker sectors.
- The latest British retail trade survey showed a strong increase in sales volume over one year.
- Mark Carney, governor of the Bank of England stated he will announce his decision regarding the length of his term, in a testimony to the House of Lords Committee. This fuelled speculation in the media over the week. The central bank asked large UK lenders to provide further clarity on their exposure to European banks, namely Deutsche Bank and some Italian banks.

## GLOBAL

- Global equities were modestly lower over the week, sovereign bond yields were higher following firmer economic data releases and oil prices fell.
- The US economy grew at 2.9% over one year; the third quarter was one of the strongest in two years. A tighter trade deficit and higher inventories supported the period, whilst consumption was muted relative to prior quarters.
- Markets have continued to build upon expectations for a rate hike from the US Federal Reserve in December, following positive economic data and comments from two Federal Reserve members. The US dollar gained and US treasury yields rose across the curve in the week.
- Friday saw US stocks weaker following the announcement from the FBI to re open its investigation into Hillary Clinton's use of a private email server. This added uncertainty to the upcoming presidential election on November 8th.
- European data released through the week showed resilience following the UK's vote to leave the bloc. The flash composite PMI rose to 53.7 from 52.6 for the region and the German composite rose to 55.1. A German business confidence survey showed improvement in October. France grew 0.2% in the third quarter and the Spanish economy expanded by 0.7%.
- Following two inconclusive general elections, Spain will now form a government as Mariano Rajoy, leader of the conservative People's party, was voted to lead a minority government after a 10 month political deadlock.
- Japanese consumer prices continued to slide, falling 0.5% in September compared to a year ago. The Bank of Japan remains under pressure to meet inflation objectives. Governor Kuroda stated on Thursday he sees no immediate need to change monetary policy.
- The Chinese Yuan slid to a six year low against the dollar, which will help against the country's slowing economic backdrop. This did revive concerns in the market, given prior devaluations by Chinese policymakers.

Equity Markets	Index Level 28 Oct 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3790	1.2%	13.7%	11.8%
FTSE 100	6996	1.6%	16.0%	13.1%
FTSE 250	17645	-1.1%	3.7%	5.8%
MSCI World	1691	4.6%	26.0%	27.6%
S&P 500	2126	4.7%	28.3%	31.0%
DAX	10696	5.7%	21.7%	23.0%
Nikkei 225	17446	8.9%	27.9%	33.0%
Hang Seng	22955	5.3%	31.6%	30.8%
MSCI World EM	904	6.7%	41.1%	35.9%

Bond Markets	Yield 28 Oct 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.59	-4.1%	9.3%	8.4%
FTA All Stock ILG Index	-1.69	-1.7%	25.6%	22.1%
FTA Over 5 Year ILG Index	-1.68	-1.9%	28.8%	24.8%
FTA Under 5 Year FIG Index	0.44	-0.7%	2.0%	1.8%
FTA Over 15 Year FIG Index	1.79	-6.9%	17.4%	15.8%

Interest Rates & Yields	Yield 28 Oct 16	Yield 30 Sep 16	Yield 31 Dec 15	Yield 28 Oct 15
UK 15 Year Gilt Yield	1.63	1.16	2.29	2.15
US 10 Year Treasury Yield	1.85	1.59	2.27	2.10
German 10 Year Yield	0.17	-0.12	0.63	0.44
Spanish 10 Year Yield	1.23	0.88	1.77	1.57
Greek 10 Year Yield	8.30	8.19	8.07	7.72
Japan 10 Year Yield	-0.05	-0.09	0.27	0.30

Currencies Exchange Rate	28 Oct 16	30 Sep 16	31 Dec 15	28 Oct 15
GBP / EURO	1.11	1.16	1.36	1.38
GBP / YEN	128.11	131.56	177.09	184.61

Commodities	Price Level 28 Oct 16	Price Level 30 Sep 16	Price Level 31 Dec 15	Price Level 28 Oct 15
Gold \$	1,275.50	1,315.75	1,061.42	1,156.10
Wheat \$	408.50	402.00	470.00	506.00

Source: Mobius Life, Bloomberg  
Please Note: Past performance is not a guide to future performance

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Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
31/10/2016	UK	Mortgage Approvals	61.5k	62.9k	60.1k
31/10/2016	IT	CPI EU Harmonized YoY	0.10%	-0.10%	0.10%
31/10/2016	US	Personal Income	0.40%	--	0.20%
31/10/2016	US	Personal Spending	0.40%	--	0.00%
01/11/2016	JN	Nikkei Japan PMI Mfg	--	--	51.7
01/11/2016	CH	Caixin China PMI Mfg	50.1	--	50.1
01/11/2016	UK	Markit UK PMI Manufacturing SA	54.5	--	55.4
01/11/2016	US	Markit US Manufacturing PMI	53.2	--	53.2
01/11/2016	US	ISM Manufacturing	51.7	--	51.5
02/11/2016	JN	Consumer Confidence Index	42.6	--	43
02/11/2016	UK	Nationwide House Px NSA YoY	4.90%	--	5.30%
02/11/2016	SP	Markit Spain Manufacturing PMI	52.6	--	52.3
02/11/2016	IT	Markit/ADACI Italy Manufacturing PMI	51.4	--	51
02/11/2016	FR	Markit France Manufacturing PMI	51.3	--	51.3
02/11/2016	GE	Markit/BME Germany Manufacturing PMI	55.1	--	55.1
02/11/2016	UK	Markit/CIPS UK Construction PMI	51.8	--	52.3
02/11/2016	US	ADP Employment Change	165k	--	154k
02/11/2016	US	FOMC Rate Decision (Upper Bound)	0.50%	--	0.50%
02/11/2016	US	FOMC Rate Decision (Lower Bound)	0.25%	--	0.25%
03/11/2016	UK	Markit/CIPS UK Services PMI	52.5	--	52.6
03/11/2016	UK	Markit/CIPS UK Composite PMI	53.5	--	53.9
03/11/2016	UK	Bank of England Bank Rate	0.25%	--	0.25%
03/11/2016	UK	BOE Asset Purchase Target	435b	--	435b
03/11/2016	UK	Bank of England Inflation Report			
03/11/2016	US	Initial Jobless Claims	255k	--	258k
03/11/2016	US	Continuing Claims	2045k	--	2039k
03/11/2016	US	Markit US Services PMI	54.8	--	54.8
03/11/2016	US	Markit US Composite PMI	--	--	54.9
03/11/2016	US	ISM Non-Manf. Composite	56	--	57.1
03/11/2016	US	Factory Orders	0.20%	--	0.20%
03/11/2016	US	Durable Goods Orders	-0.10%	--	-0.10%
04/11/2016	SP	Markit Spain Composite PMI	54.3	--	54.1
04/11/2016	IT	Markit/ADACI Italy Composite PMI	51.5	--	51.1
04/11/2016	FR	Markit France Services PMI	52.1	--	52.1
04/11/2016	FR	Markit France Composite PMI	52.2	--	52.2
04/11/2016	GE	Markit Germany Services PMI	54.1	--	54.1
04/11/2016	GE	Markit/BME Germany Composite PMI	55.1	--	55.1
04/11/2016	US	Trade Balance	-\$38.5b	--	-\$40.7b
04/11/2016	US	Change in Nonfarm Payrolls	175k	--	156k
04/11/2016	US	Unemployment Rate	4.90%	--	5.00%
07/11/2016	UK	Halifax House Prices MoM	--	--	0.10%

Source: Bloomberg

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