

Weekly Economic Update

01 August 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,724, down 0.1%. The UK 10 year gilt yield moved from 0.80% to 0.69%.
- Some momentum in rising share prices was lost as investors weighed mixed company earnings data. The FTSE 250 added 1.8% to recover from its lows following the Brexit vote.
- The Bank of England will meet this week to discuss an interest rate cut and potential further stimulus measures. The consensus view is that the base rate will be reduced to 0.25% and that growth forecasts will be markedly lowered. An expansion of the current quantitative easing programme is also being viewed as a possibility.
- Markit's Purchasing Managers' Index fell to 48.2 in July, less than the previous flash reading of 49.1. The figure represents a contraction in the manufacturing sector and is significantly lower than the 52.4 reading in June.

GLOBAL

- The focus on company earnings and central banks continued this week, with policy meetings taking place in both Japan and the US.
- The Bank of Japan (BoJ) made the decision to leave monetary policy unchanged last week with Haruhiko Kuroda, the bank's governor, explaining that an in-depth review of monetary policy and its effectiveness will be carried out in September. The decision to carry out the review follows a period in which inflation has been below the BoJ's forecasts. Kuroda did however announce an expansion of exchange traded fund purchases by 2.7 trillion yen which is expected to help support stock markets. The BoJ choosing to leave interest rates and bond purchases unchanged will move investors' focus onto prime minister Shinzo Abe's 28 trillion yen fiscal stimulus, which was promised earlier in the week. The yen climbed on Friday after the BoJ announcement, equity markets initially falling, but a rally in bank stocks pushed the index higher with fears over even lower interest rates alleviated for the time being at least.
- The Federal Reserve (Fed) chose to leave interest rates unchanged last week as expected. The Fed accompanied the decision with some optimistic words on the US economy, stating that data showed an improving labour market and a 'moderate rate' of growth in economic activity. The Fed also acknowledged that current risks require close monitoring but that some of the 'near-term risks to the economic outlook have diminished'. Gross Domestic Product (GDP) data released on Friday showed that GDP increased at an annualised rate of 1.2% in the second quarter of the year, behind estimates in the region of 2.6% according to Reuters. Investors responded by pushing back their expectations of a rate rise. The dollar weakened while both Treasuries and gold rallied.
- The US Energy Information Administration surprised many when revealing that stocks of crude oil in the US rose last week by 1.7 million barrels when analysts were forecasting falls. Oil prices were heading towards bear market territory before the weakening of the dollar provided some support at the end of the week.

Equity Markets	Index Level 29 Jul 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3654	4.0%	8.5%	4.8%
FTSE 100	6724	3.4%	10.3%	5.5%
FTSE 250	17283	6.4%	0.8%	1.4%
MSCI World	1722	4.6%	17.3%	18.6%
S&P 500	2174	4.0%	19.9%	24.5%
DAX	10338	7.9%	10.3%	10.1%
Nikkei 225	16569	7.6%	15.0%	16.6%
Hang Seng	21891	5.7%	14.3%	9.2%
MSCI World EM	873	5.4%	24.8%	17.9%

Bond Markets	Yield 29 Jul 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.22	2.0%	13.7%	14.9%
FTA All Stock ILG Index	-1.42	1.4%	17.7%	15.3%
FTA Over 5 Year ILG Index	-1.41	1.5%	20.1%	17.3%
FTA Under 5 Year FIG Index	0.15	0.2%	2.8%	3.5%
FTA Over 15 Year FIG Index	1.44	3.6%	25.3%	26.6%

Interest Rates & Yields	Yield 29 Jul 16	Yield 30 Jun 16	Yield 31 Dec 15	Yield 29 Jul 15
UK 15 Year Gilt Yield	1.21	1.40	2.29	2.36
US 10 Year Treasury Yield	1.45	1.47	2.27	2.29
German 10 Year Yield	-0.12	-0.13	0.63	0.72
Spanish 10 Year Yield	1.02	1.16	1.77	1.96
Greek 10 Year Yield	8.07	8.18	8.07	11.95
Japan 10 Year Yield	-0.20	-0.23	0.27	0.41

Currencies Exchange Rate	29 Jul 16	30 Jun 16	31 Dec 15	29 Jul 15
GBP / EURO	1.19	1.20	1.36	1.42
GBP / YEN	135.40	136.92	177.09	193.40

Commodities	Price Level 29 Jul 16	Price Level 30 Jun 16	Price Level 31 Dec 15	Price Level 29 Jul 15
Gold	1,351.00	1,322.20	1,061.42	1,096.80
Wheat	407.75	431.25	470.00	496.25

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
01/08/2016	CH	Caixin China PMI Mfg	48.8	50.6	48.6
01/08/2016	JN	Nikkei Japan PMI Mfg	--	49.3	49
01/08/2016	SP	Markit Spain Manufacturing PMI	51.5	51	52.2
01/08/2016	IT	Markit/ADACI Italy Manufacturing PMI	52.5	51.2	53.5
01/08/2016	FR	Markit France Manufacturing PMI	48.6	48.6	48.6
01/08/2016	GE	Markit/BME Germany Manufacturing PMI	53.7	53.8	53.7
01/08/2016	UK	Markit UK PMI Manufacturing SA	49.1	48.2	49.1
01/08/2016	US	Markit US Manufacturing PMI	52.9	--	52.9
01/08/2016	US	Construction Spending MoM	0.005	--	-0.008
01/08/2016	US	ISM Manufacturing	53	--	53.2
02/08/2016	JN	Monetary Base YoY	--	--	0.254
02/08/2016	SP	Unemployment MoM Net ('000s)	-70	--	-124.3
02/08/2016	UK	Markit/CIPS UK Construction PMI	44	--	46
02/08/2016	US	Personal Income	0.003	--	0.002
02/08/2016	US	Personal Spending	0.003	--	0.004
03/08/2016	SP	Markit Spain Composite PMI	54.5	--	55.7
03/08/2016	IT	Markit/ADACI Italy Composite PMI	52.4	--	52.6
03/08/2016	FR	Markit France Composite PMI	50	--	50
03/08/2016	GE	Markit/BME Germany Composite PMI	55.3	--	55.3
03/08/2016	UK	Markit/CIPS UK Composite PMI	47.7	--	47.7
03/08/2016	US	MBA Mortgage Applications	--	--	-0.112
03/08/2016	US	ADP Employment Change	170k	--	172k
03/08/2016	US	Markit US Composite PMI	--	--	51.5
03/08/2016	US	ISM Non-Manf. Composite	56	--	56.5
04/08/2016	UK	Bank of England Bank Rate	0.0025	--	0.005
04/08/2016	UK	BOE Asset Purchase Target	375b	--	375b
04/08/2016	US	Initial Jobless Claims	265k	--	266k
04/08/2016	US	Factory Orders	-0.019	--	-0.01
04/08/2016	US	Durable Goods Orders	-0.04	--	-0.04
05/08/2016	GE	Factory Orders MoM	0.005	--	0
05/08/2016	UK	Halifax House Prices MoM	-0.002	--	0.013
05/08/2016	IT	Industrial Production MoM	0.003	--	-0.006
05/08/2016	US	Trade Balance	-\$43.0b	--	-\$41.1b
05/08/2016	US	Change in Nonfarm Payrolls	175k	--	287k
05/08/2016	US	Unemployment Rate	0.048	--	0.049

Source: Bloomberg

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