

Weekly Economic Update

01 October 2018

FOR PROFESSIONAL ADVISERS ONLY



UK

- The FTSE 100 closed the week at 7,510, up 0.3%. The UK 10 year gilt yield moved from 1.55% to 1.57%.
- The Conservative Party conference began on Sunday, with the well documented divisions in the party on Brexit at the forefront of discussions. Prime minister Theresa May continues to back her Chequers deal that was rejected by EU leaders; it has been criticised by many for leaving the UK too close to the EU. It was rejected by the EU as they believe it would undermine the single market.

GLOBAL

- The Federal Reserve (Fed) raised interest rates last week, for the third time this year. The target range for the key interest rate in the US was increased by 0.25% as expected, to 2 to 2.25%. The vote was unanimous and the accompanying forecasts for rates suggest one more rise this year. The move came despite trade war concerns and calls from the Trump administration for lower borrowing costs to support growth. Chairman of the Fed, Jay Powell, highlighted low unemployment and inflation as signs of strength for the US economy, seeing no evidence yet of impacts from trade tariffs.
- The US and Canada reached an agreement on trade on Sunday before the midnight deadline, following the agreement previously between the US and Mexico. The resultant deal, called the US-Mexico-Canada agreement in effect replaces the North American Free Trade Agreement (NAFTA).
- Italy's coalition government agreed to significantly increase its public spending in line with its promises before the election. The move may be seen as a commitment to the populist agenda of the coalition members. Luigi Di Maio, the leader of the largest party in the coalition, shouted "we made it!" to onlookers as he left the cabinet meeting on Thursday night. The government is targeting a deficit in 2019 of 2.4%, as opposed to 1.6% targeted by the previous government. Italian bond yields have climbed since the spending was announced.
- There was further evidence of policy tightening for central banks globally, with banks in the Czech Republic, Philippines and Indonesia all raising rates.

Equity Markets	Index Level 28 Sep 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4128	0.7%	0.9%	6.6%
FTSE 100	7510	1.2%	1.0%	6.8%
FTSE 250	20307	-1.6%	0.1%	6.0%
MSCI World	2184	0.0%	9.8%	15.7%
MSCI World EM	1048	-1.1%	-4.0%	3.5%

Bond Markets	Yield 28 Sep 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.74	-1.5%	-1.3%	0.9%
FTA All Stock ILG index	-1.48	-1.0%	-2.1%	1.9%
FTA Over 5 Year ILG index	-1.47	-1.2%	-2.4%	2.0%
FTA Under 5 Year FIG Index	0.98	-0.2%	-0.3%	0.0%
FTA Over 15 Year FIG Index	1.86	-2.8%	-2.2%	1.9%

Interest Rates & Yields	Yield 28 Sep 18	Yield 31 Aug 18	Yield 31 Dec 17	Yield 28 Sep 17
UK 15 Year Gilt Yield	1.72	1.57	1.51	1.69
US 10 Year Treasury Yield	3.06	2.86	2.41	2.31
German 10 Year Yield	0.47	0.33	0.43	0.48
Spanish 10 Year Yield	1.50	1.47	1.57	1.63
Greek 10 Year Yield	4.15	4.37	4.07	5.66
Japan 10 Year Yield	0.13	0.11	0.05	0.07

Currencies Exchange Rate	28 Sep 18	31 Aug 18	31 Dec 17	28 Sep 17
GBP / EURO	1.12	1.12	1.13	1.14
GBP / YEN	148.02	143.95	152.26	151.13

Commodities	Price Level 28 Sep 18	Price Level 31 Aug 18	Price Level 31 Dec 17	Price Level 28 Sep 17
Gold \$	1,192.50	1,201.40	1,303.05	1,287.33
Wheat \$	509.00	518.50	427.00	455.00

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

Index Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group").
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Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
01/10/2018	JN	Nikkei Japan PMI Mfg	--	52.5	52.9
01/10/2018	IT	Markit/ADACI Italy Manufacturing PMI	50.2	50	50.1
01/10/2018	GE	Markit/BME Germany Manufacturing PMI	53.7	53.7	53.7
01/10/2018	UK	Mortgage Approvals	64.5k	66.4k	64.8k
01/10/2018	UK	Markit UK PMI Manufacturing SA	52.5	53.8	52.8
01/10/2018	US	ISM Manufacturing	60	--	61.3
02/10/2018	UK	Nationwide House PX MoM	0.20%	--	-0.50%
02/10/2018	UK	Markit/CIPS UK Construction PMI	52.9	--	52.9
03/10/2018	US	MBA Mortgage Applications	--	--	2.90%
03/10/2018	US	ADP Employment Change	185k	--	163k
04/10/2018	US	Initial Jobless Claims	213k	--	214k
04/10/2018	US	Factory Orders	2.20%	--	-0.80%
04/10/2018	US	Durable Goods Orders	--	--	4.50%
05/10/2018	GE	Factory Orders MoM	0.80%	--	-0.90%

Source: Bloomberg

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