

Weekly Economic Update

02 July 2018



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 7,637 down 0.5%. The UK 10 year gilt yield moved from 1.32% to 1.28%.
- UK equity markets fell over the week, the main drag was increased fears of a trade war and the impact it would have on commodities. Oil prices also fell on news OPEC agreeing to increase production by a further 1 million barrels a day.
- The Bank of England's financial stability report has given banks a year to comply with the increase in the UK countercyclical capital buffer rate from 0% to 0.5% of risk-weighted assets. However, Carney warns there are still 'pockets of risk' and differing Brexit outcomes could still present a risk to the UK's financial stability.

GLOBAL

- The Trump administration continued to spark frustration with other nations including China, Canada and the European Union with continuing motion towards a trade war.
- The US plan to place tariffs of approximately \$35bn on Chinese imports. This could just be the start with further tariffs expected to follow and even more should China retaliate. Canada responded to the US aluminium and steel tariffs by planning to impose \$19bn of tariffs on American imports. While America are also contemplating implementing a 20% levy on car imports from the EU.
- The growing concerns of a trade war saw yields fall on sovereign bonds as US Treasuries rallied.
- EU leaders agreed to voluntarily open centres to distinguish between economic migrants and refugees eligible for asylum, reducing pressure on Angela Merkel from within her own coalition. However, this was not seen as progress by everyone with Mediciens Sans Frontieres suggesting the plan was 'to block people at the doorstep of Europe'.
- Euro-area inflation reached 2% for June, helped by rising oil prices and it was the first time in over a year it had hit 2%. This has given greater confidence to the European Central Bank of reaching their long term inflation target, they plan to reduce their bond buying program at the end of the year.
- Japan's jobless rate unexpectedly fell, down 0.3% to a 25 year low of 2.2%. The fall should be beneficial to the Bank of Japan as it struggles to reach target levels of inflation, as in turn this should put upwards pressure on wage growth.

Equity Markets	Index Level 29 Jun 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4202	-0.2%	1.7%	8.6%
FTSE 100	7637	-0.2%	1.7%	8.2%
FTSE 250	20831	0.1%	1.9%	10.5%
MSCI World	2089	0.7%	3.3%	9.8%
MSCI World EM	1070	-3.4%	-4.2%	6.6%

Bond Markets	Yield 29 Jun 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.56	-0.6%	0.4%	1.9%
FTA All Stock ILG index	-1.57	-0.7%	-0.9%	2.6%
FTA Over 5 Year ILG index	-1.57	-0.7%	-1.0%	2.9%
FTA Under 5 Year FIG Index	0.77	-0.2%	-0.1%	-0.2%
FTA Over 15 Year FIG Index	1.67	-1.0%	1.1%	4.2%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	29 Jun 18	31 May 18	31 Dec 17	29 Jun 17
UK 10 Year Gilt Yield	1.28	1.23	1.19	1.25
UK 15 Year Gilt Yield	1.56	1.53	1.51	1.61
US 10 Year Treasury Yield	2.86	2.86	2.41	2.27
German 10 Year Yield	0.30	0.34	0.43	0.45
Spanish 10 Year Yield	1.32	1.50	1.57	1.53
Greek 10 Year Yield	3.93	4.55	4.07	5.37
Japan 10 Year Yield	0.03	0.03	0.05	0.06

Currencies Exchange Rate	29 Jun 18	31 May 18	31 Dec 17	29 Jun 17
	GBP / USD	1.32	1.33	1.35
GBP / EURO	1.13	1.14	1.13	1.14
GBP / YEN	146.16	144.55	152.26	145.44

Commodities	Price Level	Price Level	Price Level	Price Level
	29 Jun 18	31 May 18	31 Dec 17	29 Jun 17
Oil - WTI \$	74.15	67.04	60.42	44.93
Gold \$	1,253.16	1,298.52	1,303.05	1,245.52
Wheat \$	497.50	526.25	427.00	480.25

Source: Mobius Life, Bloomberg

Index Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2018. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" is a trade mark(s) of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data. No further distribution of data from the LSE Group is permitted without the relevant

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Weekly Economic Update

Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
02/07/2018	CH	Caixin China PMI Mfg	51.1	51	51.1
02/07/2018	UK	Markit UK PMI Manufacturing SA	54	54.4	54.4
02/07/2018	US	Markit US Manufacturing PMI	54.6	--	54.6
02/07/2018	US	Construction Spending MoM	0.50%	--	1.80%
02/07/2018	US	ISM Manufacturing	58.5	--	58.7
03/07/2018	JN	Monetary Base YoY	--	--	8.10%
03/07/2018	US	Factory Orders	0.00%	--	-0.80%
04/07/2018	US	MBA Mortgage Applications	--	--	-4.90%
05/07/2018	UK	New Car Registrations YoY	--	--	3.40%
05/07/2018	US	ADP Employment Change	190k	--	178k
05/07/2018	US	Initial Jobless Claims	225k	--	227k
06/07/2018	US	Trade Balance	-\$43.6b	--	-\$46.2b
06/07/2018	US	Change in Nonfarm Payrolls	195k	--	223k
06/07/2018	US	Unemployment Rate	3.80%	--	3.80%

Source: Bloomberg

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