

Weekly Economic Update

03 September 2018

FOR PROFESSIONAL ADVISERS ONLY



UK

- The FTSE 100 closed the week at 7,432, down 1.9%. The UK 10 year gilt yield moved from 1.28% to 1.43%.
- The IHS Markit's purchasing managers' index for the UK fell to 52.8 in August, significantly down from 53.8 the previous month. This was the lowest reading for over two years and was significantly lower than analyst estimates, which were indicating a small increase.
- Chief EU negotiator for Brexit, Michel Barnier, gave hope to a Brexit deal on Wednesday by signalling progress in talks, stating that the EU 'have proposed a unique partnership' with the UK. The pound rallied following his comments. However, Barnier took a step back somewhat in his comments the following day, acknowledging that a 'no deal' scenario is still possible and something that the UK should be prepared for. The UK negotiator for Brexit, Dominic Raab, had discussions with Barnier at the end of the week in Brussels, appearing to have improved relations relative to those between Barnier and Raab's predecessor, David Davis.

GLOBAL

- Trade talks between the US and China made little headway into solving the differing opinions on trade between the nations. Scheduled trade tariffs were implemented by the US on \$16 billion of Chinese imports and China retaliated immediately as expected with tariffs of their own. US president Donald Trump has threatened to implement further tariffs on \$200 billion of Chinese goods as early as this week.
- The US reached a deal with Mexico to amend their trade pact from 1993, as part of plans to change the North American Free Trade Agreement in place between the US, Canada and Mexico. Stocks rallied globally following the announcement as trade war fears appeared reduced.
- The Argentinian central bank increased interest rates by 15% on Thursday, from 45% to 60% in an attempt to halt the sharp weakening of the currency. However, the currency continued to weaken following the move. The most recent sell off was ignited by comments from President Mauricio Macri on Wednesday when they asked the International Monetary Fund to quicken the issue of its \$50 billion bailout.
- The People's Bank of China reintroduced its 'countercyclical factor' method last week, which was used last year as part of the measure to stabilise China's currency.

Equity Markets	Index Level 31 Aug 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4106	-2.8%	0.2%	4.7%
FTSE 100	7432	-3.3%	-0.2%	4.1%
FTSE 250	20689	-0.6%	1.7%	7.3%
MSCI World	2176	2.6%	9.9%	13.1%
MSCI World EM	1056	-1.4%	-2.9%	-0.8%

Bond Markets	Yield 31 Aug 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.59	0.2%	0.2%	-0.4%
FTA All Stock ILG index	-1.56	-0.6%	-1.1%	-1.7%
FTA Over 5 Year ILG index	-1.55	-0.7%	-1.2%	-1.8%
FTA Under 5 Year FIG Index	0.84	0.1%	-0.1%	-0.7%
FTA Over 15 Year FIG Index	1.71	0.1%	0.6%	0.0%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	31 Aug 18	31 Jul 18	31 Dec 17	31 Aug 17
UK 10 Year Gilt Yield	1.43	1.33	1.19	1.03
UK 15 Year Gilt Yield	1.57	1.59	1.51	1.41
US 10 Year Treasury Yield	2.86	2.96	2.41	2.12
German 10 Year Yield	0.33	0.44	0.43	0.36
Spanish 10 Year Yield	1.47	1.40	1.57	1.56
Greek 10 Year Yield	4.37	3.94	4.07	5.48
Japan 10 Year Yield	0.11	0.06	0.05	0.01

Currencies Exchange Rate	31 Aug 18	31 Jul 18	31 Dec 17	31 Aug 17
	GBP / USD	1.30	1.31	1.35
GBP / EURO	1.12	1.12	1.13	1.09
GBP / YEN	143.95	146.76	152.26	142.03

Commodities	Price Level	Price Level	Price Level	Price Level
	31 Aug 18	31 Jul 18	31 Dec 17	31 Aug 17
Oil - WTI \$	69.80	68.76	60.42	47.23
Gold \$	1,201.40	1,224.09	1,303.05	1,321.40
Wheat \$	518.50	553.75	427.00	410.25

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"). © 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 LSE Group company's express written consent.

Mobius Life Limited

7th Floor, 20 Gresham Street, London EC2V 7JE

t +44 (0) 20 7847 3300 f +44 (0) 20 7847 3399

e enquiries@mobiuslife.co.uk

www.mobiuslife.co.uk

Weekly Economic Update

Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
03/09/2018	JN	Nikkei Japan PMI Mfg	--	52.5	52.5
03/09/2018	CH	Caixin China PMI Mfg	50.7	50.6	50.8
03/09/2018	GE	Markit/BME Germany Manufacturing PMI	56.1	55.9	56.1
03/09/2018	UK	Markit UK PMI Manufacturing SA	53.9	52.8	54
04/09/2018	US	ISM Manufacturing	57.6	--	58.1
05/09/2018	US	MBA Mortgage Applications	--	--	-1.70%
05/09/2018	US	Trade Balance	-\$50.0b	--	-\$46.3b
06/09/2018	GE	Factory Orders MoM	1.80%	--	-4.00%
06/09/2018	US	Initial Jobless Claims	213k	--	213k
06/09/2018	US	Durable Goods Orders	--	--	-1.70%
07/09/2018	GE	Industrial Production SA MoM	0.20%	--	-0.90%
07/09/2018	FR	Industrial Production MoM	0.20%	--	0.60%
07/09/2018	US	Change in Nonfarm Payrolls	193k	--	157k

Source: Bloomberg

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Mobius Life Limited

7th Floor, 20 Gresham Street, London EC2V 7JE

t +44 (0) 20 7847 3300 f +44 (0) 20 7847 3399

e enquiries@mobiustlife.co.uk

www.mobiustlife.co.uk