

Weekly Economic Update

03 October 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,899, down 0.1%. The UK 10 year gilt yield moved from 0.73% to 0.75%.
- Theresa May, prime minister, confirmed over the weekend that Article 50 will be triggered before the end of March 2017, meaning that the process of leaving the EU will begin before the end of the first quarter next year. The departure process is expected to be 2 years in length and therefore the UK is expected to have left the EU by the summer of 2019. The pound fell after May spoke, to its weakest against the dollar since the start of July.
- The Bank of England announced that mortgage approvals in the UK fell in August to the lowest level since November 2014. 60,058 mortgages were approved during the month, down from 60,925 in July. However, unsecured consumer borrowing rose by more than expected in August.

GLOBAL

- Global equity markets ended the week relatively unchanged. Market movements were driven largely by a rally in the oil price and uncertainty around the structural strength of Deutsche Bank, the largest European bank.
- Last week's meeting of the Organisation of the Petroleum Exporting Countries (OPEC) unexpectedly saw a provisional agreement being reached to control oil production. The decision was to put a cap on oil output, at 32.5 to 33 million barrels a day, following August's average of 33.2 million barrels. This is the first cut in production in 8 years although exact details of how this will be implemented have not yet been released. OPEC members are now expected to meet at the end of November to iron out the details. Oil prices jumped following the announcement, although the long term implications of the change in approach remain uncertain.
- The US Bureau of Economic Analysis revised upwards their GDP growth figure for the second quarter from 1.1% to 1.4%. Separate data released also showed positive signs in the US economy, including an increase in exports. Predictions for growth in the third quarter have also been revised upwards as a result of encouraging data signals.
- Volatility in Deutsche Bank's share price continued last week after the bank's previous decision to refuse paying the Department of Justice (DoJ) a \$14 billion fine following investigations into mis-selling of mortgage securities. Its share price fell to record lows before rebounding somewhat as John Cryan, chief executive, looks to reach a deal with the DoJ. Events have moved investor focus back towards the European banking sector as whole, with negative interest rates putting pressure on the sector.
- Italy will have a referendum on constitutional reform at the start of December, with the aim of improving stability in the government. Matteo Renzi, prime minister, stated that he will resign if the new reforms are not voted for, which appears to give voters an opportunity to voice their support for him through their vote.

Equity Markets	Index Level 30 Sep 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3755	1.7%	12.4%	16.8%
FTSE 100	6899	1.8%	14.1%	18.4%
FTSE 250	17871	1.2%	4.9%	10.2%
MSCI World	1726	1.9%	20.5%	30.7%
S&P 500	2168	1.3%	22.5%	34.7%
DAX	10511	1.2%	15.1%	27.5%
Nikkei 225	16450	0.5%	17.5%	30.2%
Hang Seng	23297	3.2%	25.0%	35.3%
MSCI World EM	903	2.7%	32.2%	36.7%

Bond Markets	Yield 30 Sep 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.21	-2.3%	14.0%	12.6%
FTA All Stock ILG Index	-1.76	-0.8%	27.8%	24.1%
FTA Over 5 Year ILG Index	-1.76	-0.8%	31.3%	27.0%
FTA Under 5 Year FIG Index	0.16	0.0%	2.8%	2.7%
FTA Over 15 Year FIG Index	1.42	-4.7%	26.1%	23.0%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	30 Sep 16	31 Aug 16	31 Dec 15	30 Sep 15
UK 10 Year Gilt Yield	0.75	0.64	1.96	1.76
UK 15 Year Gilt Yield	1.16	0.99	2.29	2.10
US 10 Year Treasury Yield	1.59	1.58	2.27	2.04
German 10 Year Yield	-0.12	-0.07	0.63	0.59
Spanish 10 Year Yield	0.88	1.01	1.77	1.89
Greek 10 Year Yield	8.19	8.01	8.07	8.16
Japan 10 Year Yield	-0.09	-0.07	0.27	0.35

Currencies Exchange Rate	30 Sep 16	31 Aug 16	31 Dec 15	30 Sep 15
	GBP / USD	1.30	1.31	1.47
GBP / EURO	1.16	1.18	1.36	1.35
GBP / YEN	131.56	135.73	177.09	181.08

Commodities	Price Level	Price Level	Price Level	Price Level
	30 Sep 16	31 Aug 16	31 Dec 15	30 Sep 15
Oil - WTI \$	48.24	44.70	37.04	45.09
Gold \$	1,315.75	1,308.97	1,061.42	1,115.07
Wheat \$	402.00	361.00	470.00	512.75

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
03/10/2016	JN	Nikkei Japan PMI Mfg	--	50.4	50.3
03/10/2016	SP	Markit Spain Manufacturing PMI	51.5	52.3	51
03/10/2016	IT	Markit/ADACI Italy Manufacturing PMI	50.3	51	49.8
03/10/2016	FR	Markit France Manufacturing PMI	49.5	49.7	49.5
03/10/2016	GE	Markit/BME Germany Manufacturing PMI	54.3	54.3	54.3
03/10/2016	UK	Markit UK PMI Manufacturing SA	52.1	55.4	53.3
03/10/2016	US	Markit US Manufacturing PMI	51.4	--	51.4
03/10/2016	US	Construction Spending MoM	0.003	--	0
03/10/2016	US	ISM Manufacturing	50.3	--	49.4
04/10/2016	SP	Unemployment MoM Net ('000s)	23.3	--	14.4
05/10/2016	US	MBA Mortgage Applications	--	--	-0.007
05/10/2016	US	ADP Employment Change	163k	--	177k
05/10/2016	US	Trade Balance	-\$39.2b	--	-\$39.5b
05/10/2016	US	Factory Orders	-0.002	--	0.019
05/10/2016	US	Durable Goods Orders	0	--	0
06/10/2016	GE	Factory Orders MoM	0.003	--	0.002
06/10/2016	US	Initial Jobless Claims	255k	--	254k
07/10/2016	GE	Industrial Production SA MoM	0.01	--	-0.015
07/10/2016	FR	Industrial Production MoM	0.006	--	-0.006
07/10/2016	FR	Industrial Production YoY	-0.013	--	-0.001
07/10/2016	UK	Halifax House Prices MoM	0	--	-0.002
07/10/2016	UK	Industrial Production MoM	0.001	--	0.001
07/10/2016	UK	Manufacturing Production MoM	0.004	--	-0.009
07/10/2016	US	Change in Nonfarm Payrolls	170k	--	151k
07/10/2016	US	Unemployment Rate	0.049	--	0.049
07/10/2016	US	Wholesale Inventories MoM	-0.001	--	-0.001

Source: Bloomberg

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