

Weekly Economic Update

03 December 2018

FOR PROFESSIONAL ADVISERS ONLY



UK

- The FTSE 100 closed the week at 6,980, up 0.4%. The UK 10 year gilt yield moved from 1.38% to 1.36%.
- Prime minister Theresa May has come under further pressure, this time to make public the legal advice that the government has received on the current Brexit agreement with the EU. It has been reported that this advice states that there is no guarantee that the UK will be able to leave the backstop arrangement that has been included in the deal. Labour and other opposition parties have called for the legal advice to be published in full, with former foreign secretary Boris Johnson calling the withholding of the information a 'scandal'. The current deal will be proposed to parliament officially on 11th December, with current estimates from Sky News putting May 90 votes short of her target.

GLOBAL

- The US and China appear to have put their trade war on hold following a meeting between leaders Donald Trump and Xi Jinping at the G20 summit this weekend. Trump has agreed to put on pause plans to increase tariffs from 10 to 25% on \$200 billion worth of Chinese goods, which had been pencilled in for January 1st. They will reportedly be allowed up to 90 days of negotiations where China will agree to purchase certain goods from the US and will avoid the increased US tariffs in return. Trump has since claimed that China has already agreed to lower tariffs on cars made in the US.
- G20 leaders agreed to reform the World Trade Organisation (WTO), committing to review the body that is designed to give a rules-based order across members. The final statement on the issue avoided the use of the word 'protectionism' after an apparent rejection of the term by the US. There were tensions between leaders and Saudi Prince Mohammed bin Salman as it is widely believed that he had prior knowledge of the murder of a Saudi journalist in Turkey. Similarly, questions were raised of Russian leader Vladimir Putin given their recent seizing of Ukrainian warships. Putin and bin Salman greeted each other with a smile at the summit, extending their agreement to work together in managing oil production.
- Minutes released by the Federal Reserve from their November meeting suggested that the process of gradual interest rate increases could be halted following the anticipated rise this month, with some members of the committee citing trade and growth risks as reasons to be cautious. The release of the minutes followed comments earlier in the week from chairman Jerome Powell, who stated that interest rates were approaching levels that the Fed considered to be neutral.
- Oil prices fell below \$50 last week ahead of the G20 summit, despite speculation of a production cut from the Organisation of Petroleum Exporting Countries (OPEC).

| Equity Markets | Index Level 30 Nov 18 | Total Return (Sterling) | | |
|----------------|--------------------------|-------------------------|-------|--------|
| | | MtD | YtD | 1 Year |
| FTSE All Share | 3823 | -1.6% | -5.9% | -1.5% |
| FTSE 100 | 6980 | -1.6% | -5.4% | -0.7% |
| FTSE 250 | 18481 | -2.1% | -8.6% | -4.9% |
| MSCI World | 2041 | 1.2% | 5.3% | 6.6% |
| MSCI World EM | 995 | 4.1% | -6.6% | -3.3% |

| Bond Markets | Yield 30 Nov 18 | Index % Change (Sterling) | | |
|----------------------------|--------------------|---------------------------|-------|--------|
| | | MtD | YtD | 1 Year |
| FTA All Stock Gilt Index | 1.79 | -1.2% | -1.6% | -0.2% |
| FTA All Stock ILG index | -1.46 | -3.3% | -2.7% | -0.7% |
| FTA Over 5 Year ILG index | -1.45 | -3.6% | -3.0% | -0.9% |
| FTA Under 5 Year FIG Index | 0.82 | 0.2% | 0.2% | 0.5% |
| FTA Over 15 Year FIG Index | 1.99 | -3.2% | -4.2% | -1.8% |

| Interest Rates & Yields | Yield 30 Nov 18 | Yield 31 Oct 18 | Yield 31 Dec 17 | Yield 30 Nov 17 |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| | | | | |
| UK 15 Year Gilt Yield | 1.64 | 1.61 | 1.51 | 1.64 |
| US 10 Year Treasury Yield | 2.99 | 3.14 | 2.41 | 2.41 |
| German 10 Year Yield | 0.31 | 0.39 | 0.43 | 0.37 |
| Spanish 10 Year Yield | 1.50 | 1.55 | 1.57 | 1.45 |
| Greek 10 Year Yield | 4.25 | 4.21 | 4.07 | 5.35 |
| Japan 10 Year Yield | 0.09 | 0.13 | 0.05 | 0.04 |

| Currencies Exchange Rate | 30 Nov 18 | 31 Oct 18 | 31 Dec 17 | 30 Nov 17 |
|--------------------------|-----------|-----------|-----------|-----------|
| | | | | |
| GBP / EURO | 1.13 | 1.13 | 1.13 | 1.14 |
| GBP / YEN | 144.94 | 144.19 | 152.26 | 151.99 |

| Commodities | Price Level 30 Nov 18 | Price Level 31 Oct 18 | Price Level 31 Dec 17 | Price Level 30 Nov 17 |
|-------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | | | |
| Gold \$ | 1,222.50 | 1,214.76 | 1,303.05 | 1,274.94 |
| Wheat \$ | 515.75 | 500.50 | 427.00 | 409.25 |

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").
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Weekly Economic Update

Upcoming Data Releases



| Date | Region | Event | Survey | Actual | Prior |
|------------|--------|--------------------------------------|----------|--------|----------|
| 03/12/2018 | JN | Nikkei Japan PMI Mfg | -- | 52.2 | 51.8 |
| 03/12/2018 | GE | Markit/BME Germany Manufacturing PMI | 51.6 | 51.8 | 51.6 |
| 03/12/2018 | UK | Markit UK PMI Manufacturing SA | 51.7 | 53.1 | 51.1 |
| 03/12/2018 | US | Markit US Manufacturing PMI | 55.4 | -- | 55.4 |
| 03/12/2018 | US | ISM Manufacturing | 57.5 | -- | 57.7 |
| 05/12/2018 | US | MBA Mortgage Applications | -- | -- | 5.50% |
| 06/12/2018 | GE | Factory Orders MoM | -0.40% | -- | 0.30% |
| 06/12/2018 | US | Trade Balance | -\$55.0b | -- | -\$54.0b |
| 06/12/2018 | US | Initial Jobless Claims | 225k | -- | 234k |
| 06/12/2018 | US | Durable Goods Orders | -2.40% | -- | -4.40% |
| 07/12/2018 | GE | Industrial Production SA MoM | 0.30% | -- | 0.20% |
| 07/12/2018 | FR | Industrial Production MoM | 0.70% | -- | -1.80% |
| 07/12/2018 | US | Change in Nonfarm Payrolls | 199k | -- | 250k |

Source: Bloomberg

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