

# Weekly Economic Update

04 July 2016



FOR PROFESSIONAL ADVISERS ONLY

## UK

- Equity markets opened the week lower, though managed to recover losses by the end of the week as investors came to terms that the exit process is not immediate and began to speculate on central bank policy. The FTSE 100 closed the week at 6,578, up 7.2%. The UK 10 year gilt yield moved from 1.09% to 0.86%. Sterling reached a 31-year low early in the week.
- Mark Carney, Bank of England Governor, stated that the economic outlook has deteriorated and that further stimulus will likely be required over the summer. This led speculators to price in a rate cut by August, and expect further quantitative easing.
- Ratings agencies, Standard & Poor's and Fitch Ratings both cut the UK's credit rating, warning that the vote to leave Europe will lead to a less predictable policy framework and a deferral of business investment.
- Boris Johnson pulled out of the race to take leadership of the Conservative party. Jeremy Corbyn refuses to resign following a Labour party no confidence vote.
- George Osborne made comments over the weekend that he is exploring a cut in corporation tax to 15%, to maintain the UK's competitiveness.
- The final estimate of UK's GDP was 0.4% for the quarter. UK manufacturing PMI reached 52.1, its highest level since January.

## GLOBAL

- Global equities staged a recovery through the week as market participants priced in dovish central bank guidance and commodity prices stabilised. Global bond yields slid across the board.
- The majority of banks passed the Federal Reserve stress tests. Morgan Stanley was flagged and is required to submit a new capital plan. American subsidiaries of Santander and Deutsche Bank did not meet the criteria set out.
- US economic data released through the week was positive; GDP for Q1 was revised up, consumer spending was up 0.4%, consumer confidence was higher in June and ISM manufacturing beat estimates.
- The European Central Bank is exploring looser rules for its bond purchases following the UK's vote. Peter Praet, ECB executive board member, stated that it was essential for a swift orderly process and warned that the uncertainty will have offset any recent economic improvements.
- Eurozone manufacturing PMI reached 52.8 for June and the harmonised index of consumer prices posted a positive reading. Retail sales in Germany improved for the first time in 3 months, up 0.9%.
- Spanish elections showed the The People's Party falling short of a majority despite leading relative to other parties.
- Weaker data in Japan led to market calls for further policy action from the Bank of Japan. Household spending, core CPI ex fresh food and retail sales all fell.
- The manufacturing PMI reading for China in June was 50.0, in line with consensus estimates.

Equity Markets	Index Level 01 Jul 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3555	1.1%	5.5%	2.1%
FTSE 100	6578	1.1%	7.8%	3.6%
FTSE 250	16465	1.2%	-4.1%	-4.5%
MSCI World	1660	0.3%	12.6%	14.7%
S&P 500	2103	0.1%	15.4%	21.7%
DAX	9776	1.5%	3.7%	3.4%
Nikkei 225	15682	1.2%	8.2%	8.9%
Hang Seng	20794	0.0%	8.2%	-2.4%
MSCI World EM	839	0.5%	19.0%	4.5%

Bond Markets	Yield 01 Jul 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.35	0.5%	11.9%	14.8%
FTA All Stock ILG Index	-1.38	0.2%	16.2%	16.1%
FTA Over 5 Year ILG Index	-1.37	0.2%	18.5%	18.6%
FTA Under 5 Year FIG Index	0.25	0.0%	2.5%	3.4%
FTA Over 15 Year FIG Index	1.56	1.0%	22.1%	27.0%

Interest Rates & Yields	Yield 01 Jul 16	Yield 30 Jun 16	Yield 31 Dec 15	Yield 01 Jul 15
UK 15 Year Gilt Yield	1.38	1.40	2.29	2.51
US 10 Year Treasury Yield	1.44	1.47	2.27	2.42
German 10 Year Yield	-0.13	-0.13	0.63	0.81
Spanish 10 Year Yield	1.15	1.16	1.77	2.28
Greek 10 Year Yield	7.78	8.18	8.07	14.67
Japan 10 Year Yield	-0.26	-0.23	0.27	0.48

Currencies Exchange Rate	01 Jul 16	30 Jun 16	31 Dec 15	01 Jul 15
GBP / EURO	1.19	1.20	1.36	1.41
GBP / YEN	136.15	136.92	177.09	192.15

Commodities	Price Level 01 Jul 16	Price Level 30 Jun 16	Price Level 31 Dec 15	Price Level 01 Jul 15
Gold	1,341.85	1,322.20	1,061.42	1,168.83
Wheat	416.25	431.25	470.00	587.50

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

### 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
04/07/2016	JN	Monetary Base YoY	--	0.254	0.255
04/07/2016	SP	Unemployment MoM Net ('000s)	-100	-124.3	-119.8
04/07/2016	UK	Markit/CIPS UK Construction PMI	50.7	46	51.2
05/07/2016	SP	Markit Spain Composite PMI	54.6	--	54.8
05/07/2016	IT	Markit/ADACI Italy Composite PMI	--	--	50.8
05/07/2016	FR	Markit France Composite PMI	49.4	--	49.4
05/07/2016	GE	Markit/BME Germany Composite PMI	54.1	--	54.1
05/07/2016	UK	Markit/CIPS UK Composite PMI	52	--	53
05/07/2016	US	Factory Orders	-0.008	--	0.019
05/07/2016	US	Durable Goods Orders	-0.022	--	-0.022
06/07/2016	GE	Factory Orders MoM	0.01	--	-0.02
06/07/2016	US	Trade Balance	-\$40.0b	--	-\$37.4b
06/07/2016	US	Markit US Composite PMI	--	--	51.2
06/07/2016	US	ISM Non-Manf. Composite	53.3	--	52.9
07/07/2016	JN	Leading Index CI	100	--	100
07/07/2016	GE	Industrial Production SA MoM	0.001	--	0.008
07/07/2016	UK	Halifax House Prices MoM	0.003	--	0.006
07/07/2016	UK	Industrial Production MoM	-0.01	--	0.02
07/07/2016	UK	Manufacturing Production MoM	-0.012	--	0.023
07/07/2016	US	ADP Employment Change	160k	--	173k
07/07/2016	US	Initial Jobless Claims	267k	--	268k
07/07/2016	US	Continuing Claims	2110k	--	2120k
07/07/2016	US	Bloomberg Consumer Comfort	--	--	43.9
07/07/2016	UK	NIESR GDP Estimate	--	--	0.005
08/07/2016	JN	BoP Current Account Balance	¥1751.2b	--	¥1878.5b
08/07/2016	GE	Trade Balance	23.5b	--	25.6b
08/07/2016	FR	Industrial Production MoM	-0.005	--	0.012
08/07/2016	FR	Manufacturing Production MoM	-0.005	--	0.013
08/07/2016	UK	Trade Balance	-3575	--	-3294
08/07/2016	US	Change in Nonfarm Payrolls	175k	--	38k
08/07/2016	US	Unemployment Rate	0.048	--	0.047
10/07/2016	CH	CPI YoY	0.018	--	0.02
10/07/2016	CH	PPI YoY	-0.025	--	-0.028
10/07/2016	CH	Money Supply M2 YoY	0.116	--	0.118
11/07/2016	JN	Machine Orders MoM	--	--	-0.11
11/07/2016	JN	Money Stock M2 YoY	--	--	0.034
11/07/2016	JN	Machine Tool Orders YoY	--	--	-0.247
11/07/2016	IT	Industrial Production MoM	--	--	0.005

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

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