

Weekly Economic Update

06 June 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,210, down 0.9%. The UK 10 year gilt yield moved from 1.44% to 1.28% as weak jobs data in the US encouraged demand for safe haven assets.
- The Purchasing Managers' Index climbed to 50.1 for May from 49.4 in April, showing marginal growth in the sector for the month. The figure may be an indication of caution in activity in the UK as the European Union referendum approaches.
- Polls carried out over the weekend by ITV and TNS showed that there was more support for leaving the EU than staying. Both polls showed 41% voting to remain in the EU with ITV and TNS seeing 45% and 43% voting to leave respectively. Pound sterling fell to its lowest level in 3 weeks following the news, falling by almost 1% in early morning trading on Monday.

GLOBAL

- Global markets were relatively mixed as data in the US was closely watched for clues on the likelihood of an interest rate rise. Emerging markets outperformed others over the week.
- US payrolls data for May, released on Friday, showed that just 38,000 jobs were added during the month. This was the lowest monthly number for 6 years, casting doubt over recent momentum in the US market. The weak data is expected to remove any chance of the Federal Reserve (Fed) raising interest rates in their upcoming meeting this month. Janet Yellen, chair of the Fed, will speak today following comments at the end of May that suggested a rate rise was highly possible in the next few months. Odds of a June rate rise fell from 22% to 4% following the data release, according to futures markets. Chicago Fed president, Charles Evans, spoke before the jobs figures. He assessed the merit of waiting for inflation to reach the 2% target before raising rates further, stating that there was a 'reasonable case' for taking this approach.
- Oil prices fell 1% on Friday as 9 oil rigs were added in the US. Investors are watching these figures carefully with the oil price at around \$50 per barrel, with an increasing rig count a possible indication that supply will be eased upward as oil prices rise to a high enough level. The Organisation of Petroleum Exporting Countries met once again on Thursday, rejecting proposals to introduce a maximum output level in order to constrain oil supply. However, the atmosphere of the meeting appeared improved relative to recent encounters, perhaps helped by the recent surge in the oil price.
- Factory orders in Germany fell in April by 2%, driven by a fall of 13.3% in demand for investment goods from outside of the eurozone. Factory orders from within the eurozone increased for the third consecutive month.
- Chinese stocks made gains last week as hopes of an inclusion of domestic A-share stocks into the MSCI indices increased. It is expected that the additions would mean significantly more access to the stocks from foreign institutional investors. It is thought that the decision will be made later this month, having been delayed from last summer given uncertainty in Chinese markets.

Equity Markets	Index Level 03 Jun 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3416	-0.3%	1.1%	-6.4%
FTSE 100	6210	-0.3%	1.5%	-7.0%
FTSE 250	17068	-0.6%	-0.8%	-4.0%
MSCI World	1679	0.3%	3.9%	1.6%
S&P 500	2099	0.1%	5.2%	7.2%
DAX	10103	0.1%	-0.3%	-6.0%
Nikkei 225	16642	0.1%	0.9%	0.0%
Hang Seng	20947	0.8%	-1.9%	-17.0%
MSCI World EM	816	1.1%	5.1%	-11.0%

Bond Markets	Yield 03 Jun 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.74	1.4%	7.0%	9.5%
FTA All Stock ILG Index	-0.97	1.0%	6.4%	6.4%
FTA Over 5 Year ILG Index	-0.97	1.1%	7.2%	7.4%
FTA Under 5 Year FIG Index	0.50	0.3%	1.7%	2.6%
FTA Over 15 Year FIG Index	1.99	2.4%	12.4%	16.4%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	03 Jun 16	31 May 16	31 Dec 15	03 Jun 15
UK 10 Year Gilt Yield	1.28	1.43	1.96	2.08
UK 15 Year Gilt Yield	1.82	1.93	2.29	2.46
US 10 Year Treasury Yield	1.70	1.85	2.27	2.36
German 10 Year Yield	0.07	0.14	0.63	0.88
Spanish 10 Year Yield	1.47	1.47	1.77	2.14
Greek 10 Year Yield	7.22	7.18	8.07	10.53
Japan 10 Year Yield	-0.11	-0.12	0.27	0.47

Currencies Exchange Rate	03 Jun 16	31 May 16	31 Dec 15	03 Jun 15
	GBP / USD	1.45	1.45	1.47
GBP / EURO	1.28	1.30	1.36	1.36
GBP / YEN	154.97	160.65	177.09	190.66

Commodities	Price Level	Price Level	Price Level	Price Level
	03 Jun 16	31 May 16	31 Dec 15	03 Jun 15
Oil - WTI	48.6	49.1	37.0	59.6
Gold	1244	1215	1061	1185
Wheat	497	465	470	511

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
06/06/2016	GE	Factory Orders MoM	-0.50%	-2.00%	1.90%
07/06/2016	GE	Industrial Production SA MoM	0.70%	--	-1.30%
07/06/2016	UK	Halifax House Prices MoM	0.30%	--	-0.80%
08/06/2016	JN	BoP Current Account Balance	¥2303.0b	--	¥2980.4b
08/06/2016	JN	GDP SA QoQ	0.50%	--	0.40%
08/06/2016	UK	Industrial Production MoM	0.00%	--	0.30%
08/06/2016	UK	Manufacturing Production MoM	0.00%	--	0.10%
08/06/2016	US	MBA Mortgage Applications	--	--	-4.10%
08/06/2016	CH	Trade Balance	\$55.85b	--	\$45.56b
09/06/2016	JN	Machine Orders MoM	-3.00%	--	5.50%
09/06/2016	CH	CPI YoY	2.20%	--	2.30%
09/06/2016	CH	PPI YoY	-3.10%	--	-3.40%
09/06/2016	GE	Trade Balance	22.8b	--	26.0b
09/06/2016	UK	Trade Balance	(£3,700)	--	(£3,830)
09/06/2016	US	Initial Jobless Claims	270k	--	267k
09/06/2016	US	Wholesale Inventories MoM	0.10%	--	0.10%
10/06/2016	JN	PPI YoY	-4.20%	--	-4.20%
10/06/2016	GE	CPI MoM	0.30%	--	0.30%
10/06/2016	FR	Industrial Production MoM	0.40%	--	-0.30%
10/06/2016	IT	Industrial Production MoM	0.30%	--	0.00%
10/06/2016	US	U. of Mich. Sentiment	94	--	94.7
10/06/2016	US	Monthly Budget Statement	-\$56.0b	--	--
10/06/2016	CH	Money Supply M2 YoY	12.50%	--	12.80%

Source: Bloomberg

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