

Weekly Economic Update

06 August 2018

FOR PROFESSIONAL ADVISERS ONLY



UK

- The FTSE 100 closed the week at 7,659, down 0.5%. The UK 10 year gilt yield moved from 1.28% to 1.33%.
- The Bank of England's (BOE) Monetary Policy Committee announced an increase of 0.25% in interest rates last week as expected, taking the base rate to 0.75%. However, the unanimous nature of the decision across the committee was unexpected, as all 9 members voted for a rise despite expectations of some dissent. This was the second interest rate rise in the UK since May 2007, following the rise in November last year. Levels of asset purchases in the bank's quantitative easing programme were left unchanged. Weakness in the first quarter of the year was viewed as transitory by the bank according to minutes released from the meeting. The forecast for GDP growth in 2019 was raised marginally from 1.7% to 1.8%.
- BOE governor Mark Carney described the likelihood of the UK leaving the EU without a deal as 'uncomfortably high' while stating that the UK's financial system would be strong enough to weather the effects of this outcome. The pound weakened following his comments.

GLOBAL

- The Bank of Japan (BoJ) maintained their commitment to a loose stance on monetary policy, not following recent steps by other major central banks to tighten. The BoJ instead made tweaks to the current programme, including the doubling of the tolerance allowed on yields on 10 year Japanese government bonds. The yield is now allowed to move 0.2% above or below zero. The tweaks were designed to allow for 'powerful continuous easing', suggesting no change in direction in the short term for the BoJ and its governor Haruhiko Kuroda.
- Nonfarm payrolls in the US increased by 157,000 in July, falling short of expectations in the region of 190,000. There were upward revisions to May and June figures that offset the disappointment in the July figure. The labour force participation rate remained unchanged and the unemployment rate ticked back down to 3.9%.
- The US government announced last week that it is considering the implementation of further tariffs on Chinese exports, as trade tensions between the countries continued. China replied by threatening their own tariffs on US products if the US goes ahead with their plan. US president Donald Trump spoke on Twitter about China and tariffs, stating that 'Tariffs are working big time' and 'are really hurting their economy'.
- GDP growth in the Eurozone during the second quarter of the year was an annualised 2.1%, down from 2.5% in the first quarter. The growth for the quarter was 0.3%, down from 0.4%. Inflation as measured by the consumer price index climbed 2.1% in the year to July, up marginally from 2% in June.
- The Reserve Bank of India increased the policy repo rate by 0.25% to 6.5%, following an increase of the same magnitude in June.

Equity Markets	Index Level 03 Aug 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4206	-1.1%	1.9%	6.6%
FTSE 100	7659	-1.1%	2.1%	6.6%
FTSE 250	20635	-1.1%	1.1%	6.4%
MSCI World	2155	0.9%	8.1%	13.1%
MSCI World EM	1073	-0.4%	-1.9%	4.5%

Bond Markets	Yield 03 Aug 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.60	0.0%	0.1%	0.6%
FTA All Stock ILG index	-1.59	0.1%	-0.4%	2.5%
FTA Over 5 Year ILG index	-1.58	0.1%	-0.4%	2.8%
FTA Under 5 Year FIG Index	0.84	0.0%	-0.1%	-0.6%
FTA Over 15 Year FIG Index	1.71	0.0%	0.5%	2.2%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	03 Aug 18	31 Jul 18	31 Dec 17	03 Aug 17
UK 10 Year Gilt Yield	1.33	1.33	1.19	1.15
UK 15 Year Gilt Yield	1.59	1.59	1.51	1.52
US 10 Year Treasury Yield	2.95	2.96	2.41	2.22
German 10 Year Yield	0.41	0.44	0.43	0.45
Spanish 10 Year Yield	1.42	1.40	1.57	1.45
Greek 10 Year Yield	4.06	3.94	4.07	5.46
Japan 10 Year Yield	0.11	0.06	0.05	0.07

Currencies Exchange Rate	03 Aug 18	31 Jul 18	31 Dec 17	03 Aug 17
	GBP / USD	1.30	1.31	1.35
GBP / EURO	1.12	1.12	1.13	1.11
GBP / YEN	144.83	146.76	152.26	144.72

Commodities	Price Level	Price Level	Price Level	Price Level
	03 Aug 18	31 Jul 18	31 Dec 17	03 Aug 17
Oil - WTI \$	68.49	68.76	60.42	49.03
Gold \$	1,213.65	1,224.09	1,303.05	1,268.52
Wheat \$	556.25	553.75	427.00	457.75

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
06/08/2018	GE	Factory Orders MoM	-0.50%	-4.00%	2.60%
08/08/2018	GE	Industrial Production SA MoM	-0.50%	--	2.60%
08/08/2018	UK	Halifax House Prices MoM	0.20%	--	0.30%
08/08/2018	JN	BoP Current Account Balance	¥1222.2b	--	¥1938.3b
08/08/2018	US	MBA Mortgage Applications	--	--	-2.60%
09/08/2018	US	Initial Jobless Claims	220k	--	218k
10/08/2018	JN	PPI YoY	2.90%	--	2.80%
10/08/2018	JN	GDP SA QoQ	0.30%	--	-0.20%
10/08/2018	FR	Industrial Production MoM	0.50%	--	-0.20%
10/08/2018	UK	Industrial Production MoM	0.30%	--	-0.40%
10/08/2018	UK	GDP QoQ	0.40%	--	0.20%
10/08/2018	US	CPI MoM	0.20%	--	0.10%

Source: Bloomberg

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