

Weekly Economic Update

07 November 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,693, down 4.3%. The UK 10 year gilt yield moved from 1.26% to 1.13%.
- The Bank of England announced on Thursday that interest rates were to remain unchanged. Perhaps more significantly, Mark Carney, governor, talked down the potential for further rate cuts following a better than expected performance of the UK economy following the vote.
- Mark Carney also chose to address speculation on his future as governor. Having previously committed to just 5 years out of 8 due to personal reasons, Carney has agreed to stay an additional year until 2019, until after Brexit negotiations have finished. Theresa May and Philip Hammond, prime minister and chancellor, had asked Carney to consider serving the full 8 year term.
- The UK High Court ruled last week that Parliament must vote on the process of triggering Article 50, which is the formal beginning to the 2 year departure from the EU. The ruling has added a further layer of complexity to the process of leaving the EU as MPs potentially will have the opportunity to vote against the triggering of Article 50. The government have announced their intent to appeal against the decision in the Supreme Court, which is likely to happen in December. Theresa May has insisted that she will continue with negotiations for departure from the EU in order to deliver for voters.

GLOBAL

- Global equities fell as investors looked to reduce their risk exposures before the US presidential election.
- October payrolls data in the US showed a continuation of steady employment increases as the number of payrolls rose by 161,000. While slightly behind estimates, markets interpreted the figure as further justification for a December rate rise, especially as the figures for the previous 2 months were revised upwards. Average hourly earnings climbed by 0.4% and the unemployment rate fell to 4.9%.
- The Federal Reserve (Fed) chose to leave interest rates unchanged last week as expected. The Fed once again cited a strengthening economy, seemingly laying the foundations for a December rise in rates. The decision and the comments from the Fed were largely anticipated with the US presidential election approaching this week.
- The election concludes on Tuesday as US residents vote for their next president. Donald Trump has partly closed the gap in the polls, following the FBI's investigations into Hillary Clinton's emails whilst serving as secretary of state. However, Clinton remains the marginal favourite. The exact impact of the FBI investigations on votes is unclear despite the FBI clearing Clinton of any wrongdoing in the final hours of the weekend, given that the investigations will have already swayed voters.
- China's purchasing managers' index (PMI) rose from 50.4 to 51.2 in October, signalling strength in Chinese manufacturing and comfortably beating estimates. There were also PMI increases announced in Europe and in the US.
- Oil prices fell significantly as US inventories data showed larger than expected stockpiles and as doubts emerged over OPEC's ability to execute a supply cut.

Equity Markets	Index Level 04 Nov 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3642	-3.3%	9.3%	7.7%
FTSE 100	6693	-3.7%	11.1%	8.6%
FTSE 250	17271	-1.5%	1.5%	3.3%
MSCI World	1660	-3.9%	20.4%	22.3%
S&P 500	2085	-4.0%	22.4%	24.7%
DAX	10259	-4.6%	15.4%	19.1%
Nikkei 225	16905	-3.4%	23.1%	29.4%
Hang Seng	22643	-3.4%	26.3%	25.4%
MSCI World EM	880	-4.9%	33.7%	28.1%

Bond Markets	Yield 04 Nov 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.48	0.9%	10.6%	11.4%
FTA All Stock ILG Index	-1.76	0.5%	27.7%	27.4%
FTA Over 5 Year ILG Index	-1.76	0.6%	31.2%	30.9%
FTA Under 5 Year FIG Index	0.32	0.2%	2.3%	2.6%
FTA Over 15 Year FIG Index	1.69	1.6%	19.7%	21.0%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	04 Nov 16	31 Oct 16	31 Dec 15	04 Nov 15
UK 10 Year Gilt Yield	1.13	1.25	1.96	1.99
UK 15 Year Gilt Yield	1.51	1.61	2.29	2.32
US 10 Year Treasury Yield	1.78	1.83	2.27	2.23
German 10 Year Yield	0.14	0.16	0.63	0.60
Spanish 10 Year Yield	1.27	1.20	1.77	1.76
Greek 10 Year Yield	7.69	8.22	8.07	7.62
Japan 10 Year Yield	-0.07	-0.05	0.27	0.32

Currencies Exchange Rate	04 Nov 16	31 Oct 16	31 Dec 15	04 Nov 15
	GBP / USD	1.25	1.22	1.47
GBP / EURO	1.12	1.12	1.36	1.42
GBP / YEN	128.98	128.38	177.09	186.85

Commodities	Price Level	Price Level	Price Level	Price Level
	04 Nov 16	31 Oct 16	31 Dec 15	04 Nov 15
Oil - WTI \$	44.07	46.86	37.04	46.32
Gold \$	1,304.60	1,277.30	1,061.42	1,107.90
Wheat \$	414.25	416.25	470.00	526.25

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
07/11/2016	GE	Factory Orders MoM	0.002	-0.006	0.01
07/11/2016	UK	Halifax House Prices MoM	0.002	0.014	0.001
08/11/2016	GE	Industrial Production SA MoM	-0.005	--	0.025
08/11/2016	UK	Industrial Production MoM	0	--	-0.004
08/11/2016	UK	Manufacturing Production MoM	0.004	--	0.002
08/11/2016	JN	BoP Current Account Balance	¥2020.0b	--	¥2000.8b
08/11/2016	CH	Trade Balance	\$51.70b	--	\$41.99b
08/11/2016	US	Presidential Election	--	--	--
09/11/2016	CH	CPI YoY	0.021	--	0.019
09/11/2016	US	MBA Mortgage Applications	--	--	-0.012
09/11/2016	US	Wholesale Inventories MoM	0.002	--	0.002
09/11/2016	JN	Machine Orders MoM	-0.015	--	-0.022
10/11/2016	FR	Industrial Production MoM	-0.003	--	0.021
10/11/2016	IT	Industrial Production MoM	-0.01	--	0.017
10/11/2016	US	Initial Jobless Claims	260k	--	265k
10/11/2016	US	Monthly Budget Statement	-\$78.5b	--	\$33.4b
10/11/2016	JN	PPI YoY	-0.026	--	-0.032
10/11/2016	CH	Money Supply M2 YoY	0.114	--	0.115
11/11/2016	JN	Tertiary Industry Index MoM	-0.002	--	0
11/11/2016	GE	CPI YoY	0.008	--	0.008
11/11/2016	US	U. of Mich. Sentiment	87.9	--	87.2

Source: Bloomberg

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