

Weekly Economic Update

08 October 2018

FOR PROFESSIONAL ADVISERS ONLY



UK

- The FTSE 100 closed the week at 7,319, down 2.5%. The UK 10 year gilt yield moved from 1.57% to 1.72%.
- The likelihood of a deal being reached between the UK and the EU appears to have increased in recent days, with EU negotiators in particular speaking with optimism in the media. While the two sides remain divided on several issues, the main obstacle to a deal appears to be the status of the Irish border between the Northern Ireland (the UK) and the Republic of Ireland.
- The rate of growth in the services sector slowed according to the IHS Markit purchasing managers index, as it fell to 53.9 in September from 54.3 in August.

GLOBAL

- The US-Mexico-Canada Agreement (USMCA) signed at the end of September appears to have eased some uncertainty on automobile tariffs as Canada and Mexico avoid the tariffs that US president Trump had been threatening. The new agreement is also believed to give American farmers better access to the dairy industry in Canada.
- Chairman of the Federal Reserve (Fed), Jerome Powell, spoke of a 'remarkably positive' outlook for the US economy. Powell denied that low unemployment levels would lead to higher inflation, which is the widely used Phillips Curve theory. The Phillips Curve is being held 'flat', according to Powell, by the Fed's regimented 2% inflation target. The unemployment rate fell to 3.7% in September, with the number of nonfarm payrolls increasing by 134,000.
- The ISM non-manufacturing purchasing managers index increased to 61.6 in September, up from 58.5 in August and far ahead of estimates in the region of 58.0. The reading is the highest since April 2006 and US equities advanced following the data announcement.
- Italy's coalition government set their target budget deficits at 2.1% and 1.8% of GDP for years 2020 and 2021 respectively, which is lower than the 2.4% expected figure. However, 2.4% remains the target for 2019 as previously thought.
- The Reserve Bank of India unexpectedly decided to leave repo rates unchanged following a recent slowing in the inflation rate. The central banks in Australia, Poland and Mexico also left their monetary policy unchanged.

Equity Markets	Index Level 05 Oct 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4028	-2.3%	-1.5%	1.6%
FTSE 100	7319	-2.5%	-1.5%	1.6%
FTSE 250	19918	-1.9%	-1.8%	1.8%
MSCI World	2151	-1.9%	7.8%	9.7%
MSCI World EM	1001	-4.9%	-8.6%	-6.4%

Bond Markets	Yield 05 Oct 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.86	-1.3%	-2.6%	-0.2%
FTA All Stock ILG index	-1.41	-1.4%	-3.5%	-0.5%
FTA Over 5 Year ILG index	-1.41	-1.5%	-3.9%	-0.5%
FTA Under 5 Year FIG Index	1.07	-0.2%	-0.5%	-0.2%
FTA Over 15 Year FIG Index	1.98	-2.2%	-4.4%	0.0%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	05 Oct 18	30 Sep 18	31 Dec 17	05 Oct 17
UK 10 Year Gilt Yield	1.72	1.57	1.19	1.39
UK 15 Year Gilt Yield	1.86	1.72	1.51	1.71
US 10 Year Treasury Yield	3.23	3.06	2.41	2.35
German 10 Year Yield	0.57	0.47	0.43	0.46
Spanish 10 Year Yield	1.58	1.50	1.57	1.70
Greek 10 Year Yield	4.48	4.15	4.07	5.54
Japan 10 Year Yield	0.15	0.13	0.05	0.05

Currencies Exchange Rate	05 Oct 18	30 Sep 18	31 Dec 17	05 Oct 17
	GBP / USD	1.31	1.30	1.35
GBP / EURO	1.14	1.12	1.13	1.12
GBP / YEN	148.81	148.02	152.26	148.09

Commodities	Price Level	Price Level	Price Level	Price Level
	05 Oct 18	30 Sep 18	31 Dec 17	05 Oct 17
Oil - WTI \$	74.34	73.25	60.42	50.79
Gold \$	1,202.95	1,192.50	1,303.05	1,267.41
Wheat \$	521.00	509.00	427.00	440.75

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
08/10/2018	GE	Industrial Production SA MoM	0.30%	-0.30%	-1.10%
09/10/2018	JN	BoP Current Account Balance	¥1889.6b	--	¥2009.7b
10/10/2018	FR	Industrial Production MoM	0.10%	--	0.70%
10/10/2018	IT	Industrial Production MoM	0.80%	--	-1.80%
10/10/2018	UK	Industrial Production MoM	0.10%	--	0.10%
10/10/2018	UK	Manufacturing Production MoM	0.10%	--	-0.20%
10/10/2018	US	MBA Mortgage Applications	--	--	0.00%
11/10/2018	JN	PPI YoY	2.90%	--	3.00%
11/10/2018	US	CPI MoM	0.20%	--	0.20%
11/10/2018	US	Initial Jobless Claims	210k	--	207k
12/10/2018	US	U. of Mich. Sentiment	100.6	--	100.1
12/10/2018	CH	Trade Balance	\$19.15b	--	--

Source: Bloomberg

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