

# Weekly Economic Update

09 January 2017



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 continued to set record highs, closing the week at 7,210, up 0.9%. The UK 10 year gilt yield ended the week at 1.38%.
- Speaking on television on Sunday, prime minister Theresa May has suggested that the UK will be taken out of the EU's single market. May stated that Brexit will not be about 'keeping bits of membership', but instead 'getting the right relationship', with control over immigration policy and freedom over lawmaking thought to be priorities. The pound weakened following her remarks.
- The UK's purchasing managers' index (PMI) climbed to 56.1 in December, up from 53.6 in November, as manufacturers continued to benefit from a weaker sterling. This was the highest PMI reading for 30 months.

## GLOBAL

- Global equities continued their surge into 2017 in response to reasonably strong economic data releases and in anticipation of increased fiscal stimulus in the US.
- There was an increase of 156,000 in nonfarm payrolls in the US in December, according to data released by the Labour Department. The figure highlights a slower but steady growth in employment, although it was behind estimates. Average hourly earnings increased by 0.4%, meaning an increase of 2.9% for the year, up from 2.5% in the 12 months to November. Unemployment edged up slightly to 4.7% from November's low.
- US trade data for November was also released last week, with the Commerce Department reporting a widening of their trade deficit. The deficit of \$42.4 billion in October increased to \$45.2 billion as imports reached their highest level in over a year.
- Chinese policymakers have been enforcing further measures in order to protect the currency from outflows. As of 1st January 2017, when selling the yuan for foreign currency, Chinese citizens cannot use the money to purchase properties overseas. The weighting of the US dollar in yuan's reference basket was also reduced as 11 new currencies were added. In other attempts last week to discourage short positions in the yuan, overnight deposit rates reached 45% and then over 80%, increasing the costs for investors holding these short positions.
- The Eurozone's PMI reached 54.9 in December, up from 53.7 in November. The Chinese PMI showed continued expansion of the manufacturing sector but at a slower rate, falling from 51.7 to 51.4.
- Oil prices continue to edge higher over the Christmas period as markets continued to show the belief that oil producers are complying and coordinating in their efforts to reduce oil output. Oil prices were boosted early in the week after reports from Kuwait confirmed a 130,000 barrel cut in output per day. However, signals of increased production from the US have put downward pressure on prices this morning.

| Equity Markets | Index Level<br>06 Jan 17 | Total Return (Sterling) |      |        |
|----------------|--------------------------|-------------------------|------|--------|
|                |                          | MtD                     | YtD  | 1 Year |
| FTSE All Share | 3914                     | 1.1%                    | 1.1% | 21.1%  |
| FTSE 100       | 7210                     | 0.9%                    | 0.9% | 23.5%  |
| FTSE 250       | 18341                    | 1.5%                    | 1.5% | 10.6%  |
| MSCI World     | 1783                     | 2.2%                    | 2.2% | 35.2%  |
| S&P 500        | 2277                     | 2.1%                    | 2.1% | 39.0%  |
| DAX            | 11599                    | 1.4%                    | 1.4% | 32.4%  |
| Nikkei 225     | 19454                    | 1.9%                    | 1.9% | 29.0%  |
| Hang Seng      | 22503                    | 2.6%                    | 2.6% | 32.4%  |
| MSCI World EM  | 881                      | 2.6%                    | 2.6% | 41.7%  |

| Bond Markets               | Yield<br>06 Jan 17 | Index % Change (Sterling) |       |        |
|----------------------------|--------------------|---------------------------|-------|--------|
|                            |                    | MtD                       | YtD   | 1 Year |
| FTA All Stock Gilt Index   | 1.69               | -1.6%                     | -1.6% | 6.8%   |
| FTA All Stock ILG Index    | -1.61              | -0.9%                     | -0.9% | 21.1%  |
| FTA Over 5 Year ILG Index  | -1.60              | -0.9%                     | -0.9% | 23.7%  |
| FTA Under 5 Year FIG Index | 0.39               | -0.3%                     | -0.3% | 1.9%   |
| FTA Over 15 Year FIG Index | 1.91               | -2.8%                     | -2.8% | 12.3%  |

| Interest Rates & Yields   | Yield     | Yield     | Yield     | Yield     |
|---------------------------|-----------|-----------|-----------|-----------|
|                           | 06 Jan 17 | 31 Dec 16 | 31 Dec 16 | 06 Jan 16 |
| UK 10 Year Gilt Yield     | 1.38      | 1.24      | 1.24      | 1.79      |
| UK 15 Year Gilt Yield     | 1.76      | 1.63      | 1.63      | 2.13      |
| US 10 Year Treasury Yield | 2.42      | 2.44      | 2.44      | 2.17      |
| German 10 Year Yield      | 0.30      | 0.21      | 0.21      | 0.50      |
| Spanish 10 Year Yield     | 1.54      | 1.38      | 1.38      | 1.67      |
| Greek 10 Year Yield       | 6.78      | 7.02      | 7.02      | 8.35      |
| Japan 10 Year Yield       | 0.06      | 0.04      | 0.04      | 0.25      |

| Currencies Exchange Rate | 06 Jan 17 | 31 Dec 16 | 31 Dec 16 | 06 Jan 16 |
|--------------------------|-----------|-----------|-----------|-----------|
|                          | GBP / USD | 1.23      | 1.23      | 1.23      |
| GBP / EURO               | 1.17      | 1.17      | 1.17      | 1.36      |
| GBP / YEN                | 143.77    | 144.01    | 144.01    | 173.43    |

| Commodities  | Price Level | Price Level | Price Level | Price Level |
|--------------|-------------|-------------|-------------|-------------|
|              | 06 Jan 17   | 31 Dec 16   | 31 Dec 16   | 06 Jan 16   |
| Oil - WTI \$ | 53.99       | 53.72       | 53.72       | 33.97       |
| Gold \$      | 1,172.85    | 1,152.27    | 1,152.27    | 1,093.67    |
| Wheat \$     | 423.25      | 408.00      | 408.00      | 462.75      |

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     |
|------------|--------|------------------------------|----------|--------|-----------|
| 09/01/2017 | GE     | Industrial Production SA MoM | 0.6%     | 0.4%   | 0.3%      |
| 09/01/2017 | UK     | Halifax House Prices MoM     | 0.3%     | 1.7%   | 0.2%      |
| 10/01/2017 | CH     | CPI YoY                      | 2.2%     | --     | 2.3%      |
| 10/01/2017 | CH     | PPI YoY                      | 4.6%     | --     | 3.3%      |
| 10/01/2017 | FR     | Industrial Production MoM    | 0.6%     | --     | -0.2%     |
| 10/01/2017 | US     | Wholesale Inventories MoM    | 0.9%     | --     | 0.9%      |
| 11/01/2017 | UK     | Trade Balance                | -3500    | --     | -1971     |
| 11/01/2017 | UK     | Industrial Production MoM    | 1.0%     | --     | -1.3%     |
| 11/01/2017 | UK     | Manufacturing Production MoM | 0.5%     | --     | -0.9%     |
| 11/01/2017 | US     | MBA Mortgage Applications    | --       | --     | 0.1%      |
| 11/01/2017 | JN     | BoP Current Account Balance  | ¥1481.8b | --     | ¥1719.9b  |
| 12/01/2017 | FR     | CPI MoM                      | 0.3%     | --     | 0.3%      |
| 12/01/2017 | IT     | Industrial Production MoM    | 0.2%     | --     | 0.0%      |
| 12/01/2017 | US     | Initial Jobless Claims       | 255k     | --     | 235k      |
| 12/01/2017 | US     | Monthly Budget Statement     | -\$25.0b | --     | -\$136.7b |
| 13/01/2017 | SP     | CPI EU Harmonised YoY        | 1.4%     | --     | 1.4%      |
| 13/01/2017 | US     | PPI Final Demand MoM         | 0.3%     | --     | 0.4%      |
| 13/01/2017 | US     | Retail Sales Advance MoM     | 0.7%     | --     | 0.1%      |
| 13/01/2017 | US     | U. of Mich. Sentiment        | 98.5     | --     | 98.2      |
| 13/01/2017 | CH     | Trade Balance                | \$47.10b | --     | \$44.61b  |

Source: Bloomberg

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