

Weekly Economic Update

09 July 2018



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 7,618 down 0.2%. The UK 10 year gilt yield moved from 1.28% to 1.27%.
- Theresa May held a make or break meeting on Friday with her cabinet to discuss her proposal for a soft Brexit. May secured unanimous backing for a 12-point pro-business plan for the UK's future relationship with the EU. The plan included a UK-EU free trade area where the UK would still be bound by EU rules, however, the plan still needs EU approval.
- Expectation of a rate rise in August to 0.75% increased after Bank of England Governor Mark Carney's optimistic speech noting recent data had given greater confidence that the British economy's weak first quarter to the year mostly reflected bad weather and not the economy.

GLOBAL

- The United States threat of imposing tariffs on China became reality on Friday as the Trump administration imposed a 25% tariff on \$34 billion worth of Chinese goods, including aircraft parts and medical devices. China immediately replied by also imposing a 25% tariff on \$34 billion worth of US goods including automobiles and soybeans. Trump in turn threatened additional tariffs on \$16 billion within the next two weeks, along with scoping out hundreds of billions of more imports to target.
- Tension also grew between the Trump administration and the EU as Trump reiterated his threat of placing a 20% tariff on automobiles up from a current rate of 2.5%.
- US Non-Farm payroll data was stronger than expected as 213,000 jobs were added for June, 18,000 more than expected. Despite this unemployment rose from 3.8% to 4% as more people returned to the job market.
- German Chancellor Angela Merkel government's migration policy came under attack from opposing parties. The issue had arisen from the compromise between the Christian Democratic Union and Christian Social Union to set up transit zones to deport ineligible asylum seekers.
- Oil prices ended the week down on reports Saudi Arabia's King Salman has agreed to Trump's request to increase production by potentially 2m barrels a day. Trump stating that prices are currently too high.
- Minutes from the Federal Reserve's policy meeting in June were released on Thursday. Some main points for discussion included the flattening yield curve and trade policy risks however, gradual rate rise look likely to continue with two more expected before the end of the year.

Equity Markets	Index Level 06 Jul 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4187	-0.3%	1.4%	8.3%
FTSE 100	7618	-0.2%	1.4%	8.1%
FTSE 250	20618	-0.9%	0.9%	9.3%
MSCI World	2114	0.7%	4.0%	10.9%
MSCI World EM	1060	-1.2%	-5.3%	5.7%

Bond Markets	Yield 06 Jul 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.54	0.2%	0.7%	3.0%
FTA All Stock ILG index	-1.59	0.5%	-0.5%	4.5%
FTA Over 5 Year ILG index	-1.59	0.5%	-0.5%	4.9%
FTA Under 5 Year FIG Index	0.78	0.0%	-0.1%	-0.2%
FTA Over 15 Year FIG Index	1.65	0.5%	1.6%	6.4%

Interest Rates & Yields	Yield 06 Jul 18	Yield 30 Jun 18	Yield 31 Dec 17	Yield 06 Jul 17
UK 15 Year Gilt Yield	1.54	1.56	1.51	1.69
US 10 Year Treasury Yield	2.82	2.86	2.41	2.37
German 10 Year Yield	0.29	0.30	0.43	0.56
Spanish 10 Year Yield	1.31	1.32	1.57	1.68
Greek 10 Year Yield	3.93	3.93	4.07	5.31
Japan 10 Year Yield	0.03	0.03	0.05	0.10

Currencies Exchange Rate	06 Jul 18	30 Jun 18	31 Dec 17	06 Jul 17
GBP / EURO	1.13	1.13	1.13	1.14
GBP / YEN	146.53	146.16	152.26	146.96

Commodities	Price Level 06 Jul 18	Price Level 30 Jun 18	Price Level 31 Dec 17	Price Level 06 Jun 17
Gold \$	1,255.20	1,253.16	1,303.05	1,225.27
Wheat \$	512.75	497.50	427.00	519.00

Source: Mobius Life, Bloomberg

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Mobius Life Limited

7th Floor, 20 Gresham Street, London EC2V 7JE

t +44 (0) 20 7847 3300 f +44 (0) 20 7847 3399

e enquiries@mobiuslife.co.uk

www.mobiuslife.co.uk

Weekly Economic Update

Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
09/07/2018	JN	BoP Current Account Balance	¥1266.0b	¥1938.3b	¥1845.1b
10/07/2018	CH	CPI YoY	1.90%	--	1.80%
10/07/2018	FR	Industrial Production MoM	0.70%	--	-0.50%
10/07/2018	IT	Industrial Production MoM	0.80%	--	-1.20%
10/07/2018	UK	Trade Balance	(£3,400)	--	(£5,280)
10/07/2018	UK	Industrial Production MoM	0.50%	--	-0.80%
10/07/2018	GE	ZEW Survey Expectations	-18.9	--	-16.1
11/07/2018	US	MBA Mortgage Applications	--	--	-0.50%
11/07/2018	US	PPI Final Demand MoM	0.20%	--	0.50%
12/07/2018	GE	CPI MoM	0.10%	--	0.10%
12/07/2018	FR	CPI MoM	0.10%	--	0.10%
12/07/2018	US	Initial Jobless Claims	225k	--	231k
12/07/2018	US	Continuing Claims	--	--	1739k
12/07/2018	US	CPI MoM	0.20%	--	0.20%
13/07/2018	SP	CPI MoM	0.30%	--	0.30%
13/07/2018	SP	CPI EU Harmonised YoY	2.30%	--	2.30%

Source: Bloomberg

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7th Floor, 20 Gresham Street, London EC2V 7JE

t +44 (0) 20 7847 3300 f +44 (0) 20 7847 3399

e enquiries@mobiustlife.co.uk

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