

# Weekly Economic Update

11 January 2016



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 5,912, down 5.3%, as investors weighed concerns over the effects of a weak Chinese economy on global growth. The UK 10 year gilt yield moved from 1.96% to 1.77%, with investor sentiment weakening.
- Data released by the British Retail Consortium showed that retail prices fell in December, for the 32nd month in a row. Prices fell 2% in the year to December, compared to 2.1% in the year to November.

## GLOBAL

- Global equity was heavily sold in the first week of 2016, with a 10% fall in Chinese markets leading to the worst start to the year in recent history for several equity markets.
- On Monday morning last week, China's CSI 300 Index fell 7%, triggering the country's new circuit breakers on the day of their introduction. The fall came after data revealed a fifth successive contraction in the manufacturing sector, and it triggered a sell off in global markets. On Thursday, the People's Bank of China allowed the yuan to fall for the most in 5 months, to the lowest rate since the first quarter of 2011. This left investors concerned about the state of the Chinese economy, leading to another 7% fall in China's equity and once again a market closure. On Thursday evening in China, the circuit breakers were removed, giving some relative stability in markets on Friday, with government funds purchasing stocks in order to provide support to markets.
- Events in China had global implications with the S&P 500 in the United States falling 6%, the most in a week since September 2011. This was despite a payrolls report on Friday that showed a higher than forecast jump of 292,000 in employment in December. The US dollar continued its gains through the week, reaching the highest levels in over 13 years and jumping further following the release of the payrolls report.
- Germany's DAX led declines in Europe, falling 8.3%, the most since last year's sell off in August. The fall in the index was the most significant in Europe, with the index consisting of a large proportion of exporters. Carmakers fell significantly, with Volkswagen leading losses. Japan's Nikkei 225 fell by 7%, the second worst week on record.
- Saudi Arabia and its allies ceased their diplomatic ties with Iran amidst tension in the region. The Saudi embassy in Tehran was attacked following the murder of a Shia Muslim cleric. As oil prices fell, it was also announced that the oil company Saudi Aramco was considering an initial public offering, which would make it the largest listed company in the world.
- Oil prices fell below \$35 dollars a barrel to the lowest level in 11 years, as events in China provided a weakening outlook for the demand for oil. Storage levels also remained about 100 million barrels higher than the average over the last 5 years in the US, putting further downward pressure on prices.
- Bond yields fell globally last week due to haven investing as stocks fell, driving yields to levels last seen in April last year.
- South Africa's Rand reached its lowest ever level versus the dollar on Friday after the stronger than anticipated payrolls data raised the possibility of further interest rate rises from the Federal Reserve.

Equity Markets	Index Level 08 Jan 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3273	-5.0%	-5.0%	-4.1%
FTSE 100	5912	-5.3%	-5.3%	-6.6%
FTSE 250	16733	-4.0%	-4.0%	6.7%
MSCI World	1561	-4.7%	-4.7%	-1.7%
S&P 500	1922	-4.5%	-4.5%	-0.9%
DAX	9849	-6.6%	-6.6%	-4.0%
Nikkei 225	17698	-2.8%	-2.8%	8.9%
Hang Seng	20454	-5.4%	-5.4%	-7.6%
MSCI World EM	740	-5.4%	-5.4%	-17.4%

Bond Markets	Yield 08 Jan 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	2.16	1.5%	1.5%	0.9%
FTA All Stock ILG Index	-0.77	1.8%	1.8%	-0.3%
FTA Over 5 Year ILG Index	-0.77	2.1%	2.1%	-0.4%
FTA Under 5 Year FIG Index	0.84	0.5%	0.5%	1.3%
FTA Over 15 Year FIG Index	2.44	2.4%	2.4%	0.2%

Interest Rates & Yields	Yield 08 Jan 16	Yield 30 Nov 15	Yield 31 Dec 14	Yield 08 Jan 15
UK 15 Year Gilt Yield	2.12	2.29	2.29	2.02
US 10 Year Treasury Yield	2.12	2.27	2.27	2.02
German 10 Year Yield	0.51	0.63	0.63	0.51
Spanish 10 Year Yield	1.71	1.77	1.77	1.67
Greek 10 Year Yield	8.56	8.07	8.07	9.94
Japan 10 Year Yield	0.23	0.27	0.27	0.29

Currencies Exchange Rate	08 Jan 16	30 Nov 15	31 Dec 14	08 Jan 15
GBP / EURO	1.33	1.36	1.36	1.28
GBP / YEN	171.02	177.09	177.09	180.67

Commodities	Price 08 Jan 16	Level 30 Nov 15	Price 31 Dec 14	Level 08 Jan 15
Gold	1104	1061	1061	1209
Wheat	479	470	470	567

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
11/01/2016	JN	BoP Current Account Balance	¥895.0b	--	¥1458.4b
12/01/2016	CH	New Yuan Loans CNY	700.0b	--	708.9b
12/01/2016	CH	Money Supply M2 YoY	13.60%	--	13.70%
12/01/2016	UK	BRC Sales Like-For-Like YoY	0.50%	--	-0.40%
12/01/2016	UK	Industrial Production MoM	0.00%	--	0.10%
12/01/2016	UK	Manufacturing Production MoM	0.10%	--	-0.40%
12/01/2016	JN	Money Stock M2 YoY	3.30%	--	3.30%
13/01/2016	FR	CPI MoM	0.10%	--	-0.20%
13/01/2016	US	MBA Mortgage Applications	--	--	-11.60%
13/01/2016	US	Monthly Budget Statement	-\$7.1b	--	\$1.9b
13/01/2016	JN	Machine Orders MoM	-7.30%	--	10.70%
13/01/2016	JN	PPI MoM	-0.40%	--	-0.10%
13/01/2016	CH	Trade Balance	\$51.30b	--	\$54.10b
14/01/2016	JN	Machine Tool Orders YoY	--	--	-17.70%
14/01/2016	IT	Industrial Production MoM	0.30%	--	0.50%
14/01/2016	UK	Bank of England Bank Rate	0.50%	--	0.50%
14/01/2016	US	Import Price Index MoM	-1.40%	--	-0.40%
14/01/2016	US	Initial Jobless Claims	275k	--	277k
15/01/2016	SP	CPI MoM	-0.30%	--	-0.30%
15/01/2016	IT	CPI EU Harmonized YoY	0.10%	--	0.10%
15/01/2016	US	Retail Sales Advance MoM	-0.10%	--	0.20%
15/01/2016	US	PPI Final Demand MoM	-0.20%	--	0.30%
15/01/2016	US	Industrial Production MoM	-0.20%	--	-0.60%
15/01/2016	US	U. of Mich. Sentiment	92.6	--	92.6

Source: Bloomberg

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