

Weekly Economic Update

11 July 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,591, up 0.2%. The UK 10 year gilt yield moved from 0.86% to 0.74%.
- Following the UK's decision to leave the EU, the Bank of England will meet to discuss a potential cut in interest rates this week below 0.5%. Governor Mark Carney has been hinting towards the possibility of a rate cut since the vote following a period of over 7 years at which the interest rate has been at its current level. The discussion in Thursday's meeting will be a contrast to previous meetings where talks were centred more around a possible rise in interest rates.
- The Bank of England also announced last week that it is freeing up £150 billion of lending for banks by easing the regulatory requirements on capital that banks must hold. Discussing the economy, Carney stated that there is 'the prospect of a material slowing', meaning a greater number of 'vulnerable' households.
- Several asset managers have moved to defer or prevent redemptions from their property funds in response to a greater than normal level of requests from investors to withdraw money.
- Theresa May, MP, has emerged as the favourite to replace David Cameron as Prime Minister. May, like Cameron, was a supporter of remaining in the EU.

GLOBAL

- Global equities rallied towards the end of the week despite record lows in government bond yields. Equity gains were driven by improved employment data in the US and have continued into today as Japan pledge further stimulus measures.
- Data released at the end of the week showed payrolls in the US rose more than expected in June, easing investor concerns that companies were scaling back hiring due to uncertainty. Payrolls increased by 287,000, significantly more than the revised 11,000 additions in May. The unemployment rate rose from 4.7% to 4.9% as the size of the labour force expanded. Wages increased marginally, with a 0.1% rise on the average hourly wage from May. The improved payroll figures sent the S&P 500 to its highest level in 13 months despite Treasury yields flirting with all time lows.
- Earlier in the week, minutes were released from the Federal Reserve's June meeting, which occurred before the UK's EU referendum. The consensus opinion was to leave rates unchanged for the time being given weak employment data in the US and in order to gauge the impact of the EU referendum.
- Shinzo Abe, Japan's Prime Minister, has announced that the government will make 'bold investment into seeds of future growth'. The promise of further fiscal stimulus comes shortly after a majority victory in the upper house elections, giving Abe the opportunity to press on with his Abenomics policies. The yen weakened for the first time in a week following the announcement.
- Crude oil fell towards \$45 per barrel, its lowest level for 2 months, after inventories levels in the US fell by less than expected. The weekly fall in oil price was the largest for 5 months.

Equity Markets	Index Level 08 Jul 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3550	1.0%	5.3%	4.1%
FTSE 100	6591	1.3%	8.0%	5.7%
FTSE 250	16178	-0.5%	-5.7%	-2.8%
MSCI World	1662	3.0%	15.5%	18.3%
S&P 500	2130	3.9%	19.9%	25.9%
DAX	9630	1.7%	3.9%	6.0%
Nikkei 225	15107	1.9%	8.9%	8.8%
Hang Seng	20564	1.3%	9.6%	7.6%
MSCI World EM	829	1.8%	20.5%	11.5%

Bond Markets	Yield 08 Jul 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.26	1.5%	13.0%	14.2%
FTA All Stock ILG Index	-1.48	2.3%	18.7%	15.5%
FTA Over 5 Year ILG Index	-1.47	2.6%	21.4%	17.7%
FTA Under 5 Year FIG Index	0.20	0.1%	2.6%	3.2%
FTA Over 15 Year FIG Index	1.47	2.7%	24.2%	25.7%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	08 Jul 16	30 Jun 16	31 Dec 15	08 Jul 15
UK 10 Year Gilt Yield	0.74	0.87	1.96	1.89
UK 15 Year Gilt Yield	1.28	1.40	2.29	2.30
US 10 Year Treasury Yield	1.36	1.47	2.27	2.19
German 10 Year Yield	-0.19	-0.13	0.63	0.67
Spanish 10 Year Yield	1.15	1.16	1.77	2.22
Greek 10 Year Yield	7.88	8.18	8.07	18.70
Japan 10 Year Yield	-0.29	-0.23	0.27	0.42

Currencies Exchange Rate	08 Jul 16	30 Jun 16	31 Dec 15	08 Jul 15
	GBP / USD	1.30	1.33	1.47
GBP / EURO	1.17	1.20	1.36	1.39
GBP / YEN	130.31	136.92	177.09	185.17

Commodities	Price Level	Price Level	Price Level	Price Level
	08 Jul 16	30 Jun 16	31 Dec 15	08 Jul 15
Oil - WTI	45.41	48.33	37.04	51.65
Gold	1,366.38	1,322.20	1,061.42	1,158.46
Wheat	420.75	431.25	470.00	572.25

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
11/07/2016	JN	Machine Orders MoM	0.032	-0.014	-0.11
11/07/2016	JN	Money Stock M2 YoY	0.034	0.034	0.034
11/07/2016	JN	Money Stock M3 YoY	0.028	0.029	0.028
11/07/2016	CH	New Yuan Loans CNY	1000.0b	--	985.5b
11/07/2016	CH	Money Supply M2 YoY	0.114	--	0.118
12/07/2016	JN	PPI YoY	-0.042	--	-0.042
12/07/2016	JN	Tertiary Industry Index MoM	-0.007	--	0.014
12/07/2016	GE	CPI MoM	0.001	--	0.001
13/07/2016	SP	CPI EU Harmonised MoM	0.004	--	0.004
13/07/2016	SP	CPI MoM	0.005	--	0.005
13/07/2016	US	Import Price Index MoM	0.006	--	0.014
13/07/2016	US	Monthly Budget Statement	\$24.0b	--	--
13/07/2016	CH	Imports YoY	-0.062	--	-0.004
14/07/2016	JN	Japan Buying Foreign Stocks	--	--	¥210.2b
14/07/2016	JN	Foreign Buying Japan Bonds	--	--	¥244.3b
14/07/2016	JN	Foreign Buying Japan Stocks	--	--	¥113.9b
14/07/2016	JN	Tokyo Condominium Sales YoY	--	--	-0.141
14/07/2016	UK	Bank of England Bank Rate	0.0025	--	0.005
14/07/2016	UK	BOE Asset Purchase Target	375b	--	375b
14/07/2016	US	PPI Final Demand MoM	0.003	--	0.004
14/07/2016	US	PPI Ex Food and Energy MoM	0.001	--	0.003
14/07/2016	US	PPI Final Demand YoY	-0.001	--	-0.001
14/07/2016	US	PPI Ex Food and Energy YoY	0.01	--	0.012
15/07/2016	US	CPI MoM	0.003	--	0.002
15/07/2016	US	CPI Ex Food and Energy MoM	0.002	--	0.002

Source: Bloomberg

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