

# Weekly Economic Update

12 September 2016

FOR PROFESSIONAL ADVISERS ONLY



## UK

- The FTSE 100 closed the week at 6,777, down 1.7%. The UK 10 year gilt yield moved from 0.73% to 0.86%.
- Following the announcement of the turnaround in the manufacturing purchasing managers' index (PMI), the Markit/CIPS PMI for the services sector showed a similar revival in data released for August. The PMI climbed from 47.4 to 52.9, the largest jump in the history of the index, with figures over 50 representing growth in the sector. This has been viewed as further evidence that the UK economy is coping well, in the short term, with the Brexit vote.

## GLOBAL

- Global equity markets climbed in the earlier stages of the week, before falling amidst concerns that monetary policy was losing its potential to have its desired impact. The selloff in equities appears to have intensified this morning.
- The European Central Bank (ECB) disappointed many by leaving monetary policy unchanged last week. The eurozone's interest rate was left at 0% and the ECB elected to continue the current €80billion-per-year quantitative easing programme. There are 6 months left of the programme and some investors were hoping for an extension to be announced, but the ECB statement merely confirmed that the programme ends in March 2017 and will be extended if necessary. Mario Draghi, president of the ECB, did keep the possibility of further monetary policy stimulus on the table in the coming months by stating that the ECB are ready to use 'all the instruments available' to them to push inflation towards their target. Draghi also asked for more of a contribution from 'other policy areas', and lowered the outlook for eurozone growth in both 2017 and 2018 by 0.1%.
- The Bank of Canada and the Reserve Bank of Australia also chose to leave monetary policy unchanged last week. Together with the ECB's inaction, this caused speculation in markets that central banks may be doubting monetary policy's efficacy. The ultimate effect was falls in global equities and bonds. Yields on European government debt rose as the ECB's commitment to further monetary policy easing felt subdued. US Treasury yields also climbed and the dollar bounced back after falls earlier in the week, as several Federal Reserve officials hinted towards a rate rise before the end of the year.
- Retail sales in the eurozone increased by 1.1% in July, which was ahead of expectations. The rise during July was the strongest monthly climb seen this year, and it brings the growth in retail sales up to an annualised 2.9%.
- Chinese trade data surprised markets as imports rose in August. The 1.5% increase was significantly more than the falls that were forecasted, and is the first time imports have risen in almost 2 years. The change is being attributed to improved domestic demand and an increase in commodity prices. Exports fell by less than expected and the trade surplus fell moderately in dollar terms.

Equity Markets	Index Level 09 Sep 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3701	1.5%	12.1%	13.5%
FTSE 100	6777	0.0%	12.1%	13.3%
FTSE 250	17894	2.8%	6.5%	9.0%
MSCI World	1744	0.3%	18.6%	27.1%
S&P 500	2155	-0.7%	20.1%	32.7%
DAX	10573	-0.6%	13.1%	19.5%
Nikkei 225	16966	0.0%	16.9%	23.3%
Hang Seng	24100	4.3%	26.3%	31.4%
MSCI World EM	927	2.7%	32.2%	36.1%

Bond Markets	Yield 09 Sep 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.12	-1.3%	15.2%	14.5%
FTA All Stock ILG Index	-1.75	-1.3%	27.1%	21.8%
FTA Over 5 Year ILG Index	-1.75	-1.4%	30.5%	24.2%
FTA Under 5 Year FIG Index	0.17	-0.1%	2.7%	3.0%
FTA Over 15 Year FIG Index	1.29	-2.5%	29.0%	26.9%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	09 Sep 16	31 Jul 16	31 Dec 15	09 Sep 15
UK 10 Year Gilt Yield	0.86	0.64	1.96	1.87
UK 15 Year Gilt Yield	1.24	0.99	2.29	2.17
US 10 Year Treasury Yield	1.66	1.58	2.27	2.20
German 10 Year Yield	0.01	-0.07	0.63	0.70
Spanish 10 Year Yield	1.08	1.01	1.77	2.08
Greek 10 Year Yield	8.19	8.01	8.07	8.28
Japan 10 Year Yield	-0.02	-0.07	0.27	0.37

Currencies Exchange Rate	09 Sep 16	31 Aug 16	31 Dec 15	09 Sep 15
	GBP / USD	1.33	1.31	1.47
GBP / EURO	1.18	1.18	1.36	1.38
GBP / YEN	136.35	135.73	177.09	186.02

Commodities	Price Level	Price Level	Price Level	Price Level
	09 Sep 16	31 Aug 16	31 Dec 15	09 Sep 15
Oil - WTI \$	46.47	44.70	37.04	44.15
Gold \$	1,333.35	1,308.97	1,061.42	1,107.83
Wheat \$	376.75	361.00	470.00	462.00

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
12/09/2016	JN	Machine Orders MoM	-0.029	0.049	0.083
12/09/2016	JN	PPI YoY	-0.034	-0.036	-0.039
13/09/2016	GE	CPI YoY	0.004	--	0.004
13/09/2016	SP	CPI YoY	-0.001	--	-0.001
13/09/2016	IT	Industrial Production MoM	0.002	--	-0.004
13/09/2016	UK	CPI YoY	0.007	--	0.006
13/09/2016	UK	PPI Output NSA MoM	0.003	--	0.003
13/09/2016	GE	ZEW Survey Expectations	2.5	--	0.5
13/09/2016	US	Monthly Budget Statement	-\$105.5b	--	-\$64.4b
14/09/2016	JN	Industrial Production MoM	--	--	0
14/09/2016	FR	CPI YoY	0.002	--	0.002
14/09/2016	IT	CPI EU Harmonized YoY	0	--	0
14/09/2016	UK	Claimant Count Rate	0.022	--	0.022
14/09/2016	UK	Jobless Claims Change	1.8k	--	-8.6k
14/09/2016	UK	ILO Unemployment Rate 3Mths	0.049	--	0.049
14/09/2016	US	MBA Mortgage Applications	--	--	0.009
15/09/2016	UK	Bank of England Bank Rate	0.0025	--	0.0025
15/09/2016	UK	BOE Asset Purchase Target	435b	--	435b
15/09/2016	US	Retail Sales Advance MoM	-0.001	--	0
15/09/2016	US	Initial Jobless Claims	265k	--	259k
15/09/2016	US	PPI Final Demand MoM	0.001	--	-0.004
15/09/2016	US	Empire Manufacturing	-1	--	-4.21
15/09/2016	US	Industrial Production MoM	-0.002	--	0.007
16/09/2016	US	CPI MoM	0.001	--	0
16/09/2016	US	U. of Mich. Sentiment	90.6	--	89.8

Source: Bloomberg

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