

Weekly Economic Update

12 December 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,954, up 3.3%. The UK 10 year gilt yield moved from 1.38% to 1.45%.
- Manufacturing output fell in October by 0.9%, which surprised analysts that were forecasting a further rise following the 0.6% increase in September. Data from the Office for National Statistics showed that total industrial production fell by 1.3% during October, which was the largest fall since August 2013.
- The government took to the Supreme Court in order to appeal against the ruling that the government requires approval from MPs before triggering Article 50, the first step in the Brexit process. The final judgement is expected to be made in January. Prime minister, Theresa May, has agreed to reveal the government's plan for leaving the EU before Article 50 is triggered, following pressure from the Labour party.

GLOBAL

- Global equities had a strong week, with rises across the board as investors continue to add risk to their portfolios following Donald Trump's victory in the US presidential election. The S&P 500 set another record high, ending the week at 2,260. Government bond yields continue to rise.
- The European Central Bank (ECB) announced an extension to their quantitative easing (QE) program last week. Previously scheduled to finish in March, it has now been extended to December 2017. However, the monthly QE amount will be reduced to €60 billion from €80 billion as of April. The ECB also altered the rules around the required yield of bond purchases, allowing bonds with yields less than its -0.4% deposit rate to be bought. The ECB left its interest rates unchanged.
- Italian prime minister, Matteo Renzi, officially resigned on Wednesday following the convincing rejection of his proposals in the referendum. Foreign minister, Paolo Gentiloni, has since been chosen by Italy's president to form a new government. Gentiloni is expected to quickly put together his government and will presumably make several reappointments. There has been a marked support for anti-establishment groups in Italy recently, emphasised by the referendum result. Moody's also downgraded its outlook on Italy's sovereign debt to negative as the rejection of the constitutional reforms are seen as a 'threat to the achievement' of reforms, according to the rating agency.
- Both exports and imports increased in China in November, rather unexpectedly. Imports grew by 6.7% for the 12 months up to the end of November and exports edged up by 0.1%, way ahead of forecasted falls of 5%. An improvement in global demand, particularly from developed markets, has been cited as the reason for the better than expected figures.
- Oil prices remained above \$50 as Saudi Arabia suggested they will make cuts to bring oil production significantly below target. Non-OPEC countries, such as Russia, have also started to promise production cuts which has supported the oil price.

Equity Markets	Index Level 09 Dec 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3776	2.3%	13.8%	15.9%
FTSE 100	6954	2.5%	15.9%	18.1%
FTSE 250	17733	1.3%	4.6%	6.4%
MSCI World	1760	2.2%	27.2%	31.0%
S&P 500	2260	2.2%	32.2%	36.0%
DAX	11204	4.1%	18.8%	22.2%
Nikkei 225	18996	2.1%	23.1%	25.0%
Hang Seng	22761	-0.8%	26.3%	30.6%
MSCI World EM	878	1.1%	32.7%	36.8%

Bond Markets	Yield 09 Dec 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.74	-0.4%	7.7%	6.7%
FTA All Stock ILG Index	-1.57	1.4%	21.9%	19.4%
FTA Over 5 Year ILG Index	-1.56	1.6%	24.8%	21.8%
FTA Under 5 Year FIG Index	0.37	0.0%	2.3%	2.1%
FTA Over 15 Year FIG Index	1.97	-0.9%	13.8%	11.7%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	09 Dec 16	30 Nov 16	31 Dec 15	09 Dec 15
UK 10 Year Gilt Yield	1.45	1.42	1.96	1.88
UK 15 Year Gilt Yield	1.85	1.80	2.29	2.19
US 10 Year Treasury Yield	2.47	2.38	2.27	2.22
German 10 Year Yield	0.37	0.28	0.63	0.60
Spanish 10 Year Yield	1.51	1.55	1.77	1.63
Greek 10 Year Yield	6.63	6.52	8.07	8.29
Japan 10 Year Yield	0.06	0.02	0.27	0.31

Currencies Exchange Rate	09 Dec 16	30 Nov 16	31 Dec 15	09 Dec 15
	GBP / USD	1.26	1.25	1.47
GBP / EURO	1.19	1.18	1.36	1.38
GBP / YEN	145.03	142.64	177.09	184.14

Commodities	Price Level	Price Level	Price Level	Price Level
	09 Dec 16	30 Nov 16	31 Dec 15	09 Dec 15
Oil - WTI \$	51.50	49.44	37.04	37.16
Gold \$	1,160.01	1,173.25	1,061.42	1,072.78
Wheat \$	400.25	380.50	470.00	478.00

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
12/12/2016	UK	Rightmove House Prices MoM	--	-0.021	-0.011
12/12/2016	JN	Tertiary Industry Index MoM	0.003	0.002	-0.001
13/12/2016	GE	CPI MoM	0.001	--	0.001
13/12/2016	SP	CPI MoM	0.003	--	0.003
13/12/2016	IT	Industrial Production MoM	0.003	--	-0.008
13/12/2016	UK	CPI MoM	0.002	--	0.001
13/12/2016	GE	ZEW Survey Current Situation	59	--	58.8
13/12/2016	GE	ZEW Survey Expectations	14	--	13.8
14/12/2016	JN	Industrial Production MoM	--	--	0.001
14/12/2016	FR	CPI YoY	0.005	--	0.005
14/12/2016	IT	CPI EU Harmonized YoY	0.001	--	0.001
14/12/2016	UK	Jobless Claims Change	6.5k	--	9.8k
14/12/2016	UK	ILO Unemployment Rate 3Mths	0.048	--	0.048
14/12/2016	US	MBA Mortgage Applications	--	--	-0.007
14/12/2016	US	Retail Sales Advance MoM	0.003	--	0.008
14/12/2016	US	Industrial Production MoM	-0.002	--	0
14/12/2016	US	FOMC Rate Decision (Upper Bound)	0.0075	--	0.005
15/12/2016	JN	Nikkei Japan PMI Mfg	--	--	51.3
15/12/2016	FR	Markit France Manufacturing PMI	51.8	--	51.7
15/12/2016	GE	Markit/BME Germany Manufacturing PMI	54.5	--	54.3
15/12/2016	UK	Bank of England Bank Rate	0.0025	--	0.0025
15/12/2016	UK	BOE Asset Purchase Target	435b	--	435b
15/12/2016	US	CPI MoM	0.002	--	0.004
15/12/2016	US	Initial Jobless Claims	255k	--	258k
15/12/2016	US	Markit US Manufacturing PMI	54.3	--	54.1
16/12/2016	US	Housing Starts	1230k	--	1323k

Source: Bloomberg

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