

Weekly Economic Update

13 June 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,116, down 1.4%. The UK 10 year gilt yield moved from 1.28% to 1.23%.
- Pound sterling has fallen to the lowest level in almost 2 months as another poll on Friday showed that there was a 10% lead for leaving the EU.

GLOBAL

- Global markets reflected investor uncertainty towards the end of last week as investors looked to less risky assets. Government bond yields reached lows as a result of risk aversion ahead of monetary policy decisions and the UK's EU referendum.
- Chair of the Federal Reserve (Fed), Janet Yellen, spoke on Monday of last week following a weak jobs report for the US. She reinforced that positive improvements in labour markets and movements in inflation towards the 2% target would mean that a gradual interest rate rise is still appropriate. Yellen acknowledged that the jobs data was concerning, but also showed wariness of placing too much emphasis on just one report. While accepting that an exit from the EU for the UK would have 'significant economic repercussions', Yellen once again stated that she expects the US economy to continue to improve and thus, rate rises are likely to be the best course of action for the Fed to achieve their objectives. The Fed will meet this week and the consensus view is that interest rates will be left unchanged.
- Global bonds have rallied following the jobs report in the US, with government bond yields reaching new lows. Concerns over the state of the US economy and fears of a 'Brexit' from the EU have driven investors to safe haven assets.
- Economic growth in the eurozone for the first quarter of 2016 was revised from 0.5% to 0.6%. This was the highest rate of growth for a year and represented growth of 1.7% year on year. The growth was driven by investment in the private sector and by consumer spending. Greece was the only country in the eurozone to contract in the quarter, shrinking by 0.5%.
- On Wednesday, the World Bank issued a revised global growth estimate, predicting 2.4% growth in 2016 which is lower than the 2.9% estimate made in January. The downgrade is as a result of slow growth in developed economies and due to the effects of low commodity prices on commodity exporting countries.
- Japan's core machinery orders fell by 11% in April, a greater fall than expected. The data refreshed concerns that the Bank of Japan's (BoJ) attempts to stimulate the economy through the use of negative interest rates is failing to have a sufficient impact. Asian equities have sold off in recent days as investors remove risk from their portfolios. The yen has risen to its highest level in almost 2 years. The BoJ will review their monetary policy once again this week.
- Mario Draghi, president of the European Central Bank, called for European leaders to switch their emphasis to more structural reforms following a recent over-reliance on monetary policy.
- Oil prices fell as data was released showing an increase in the number of drilling rigs in the US. Gold prices reached a 4-week high.

Equity Markets	Index Level 10 Jun 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3367	-1.6%	-0.2%	-6.1%
FTSE 100	6116	-1.6%	0.2%	-6.7%
FTSE 250	16827	-2.0%	-2.2%	-4.1%
MSCI World	1665	0.8%	4.4%	4.1%
S&P 500	2096	1.3%	6.5%	10.1%
DAX	9835	-1.8%	-2.1%	-5.8%
Nikkei 225	16601	0.8%	1.6%	2.7%
Hang Seng	21043	2.8%	0.1%	-11.5%
MSCI World EM	824	3.5%	7.5%	-6.3%

Bond Markets	Yield 10 Jun 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.70	1.9%	7.5%	10.8%
FTA All Stock ILG Index	-0.99	1.4%	6.8%	7.7%
FTA Over 5 Year ILG Index	-0.99	1.6%	7.7%	8.9%
FTA Under 5 Year FIG Index	0.54	0.3%	1.7%	2.6%
FTA Over 15 Year FIG Index	1.94	3.5%	13.5%	19.2%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	10 Jun 16	31 May 16	31 Dec 15	10 Jun 15
UK 10 Year Gilt Yield	1.23	1.43	1.96	2.13
UK 15 Year Gilt Yield	1.77	1.93	2.29	2.52
US 10 Year Treasury Yield	1.64	1.85	2.27	2.48
German 10 Year Yield	0.02	0.14	0.63	0.98
Spanish 10 Year Yield	1.43	1.47	1.77	2.24
Greek 10 Year Yield	7.41	7.18	8.07	11.41
Japan 10 Year Yield	-0.15	-0.12	0.27	0.52

Currencies Exchange Rate	10 Jun 16	31 May 16	31 Dec 15	10 Jun 15
	GBP / USD	1.43	1.45	1.47
GBP / EURO	1.27	1.30	1.36	1.37
GBP / YEN	153.58	160.65	177.09	190.38

Commodities	Price Level	Price Level	Price Level	Price Level
	10 Jun 16	31 May 16	31 Dec 15	10 Jun 15
Oil - WTI	49.1	49.1	37.0	61.4
Gold	1274	1215	1061	1186
Wheat	495	465	470	514

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
13/06/2016	CH	Industrial Production YoY	6.00%	6.00%	6.00%
13/06/2016	CH	Money Supply M2 YoY	12.50%	--	12.80%
14/06/2016	JN	Industrial Production MoM	--	--	0.30%
14/06/2016	SP	CPI EU Harmonised YoY	-1.10%	--	-1.10%
14/06/2016	IT	CPI EU Harmonized YoY	-0.30%	--	-0.30%
14/06/2016	UK	CPI Core YoY	1.30%	--	1.20%
15/06/2016	JN	Machine Tool Orders YoY	--	--	-25.00%
15/06/2016	FR	CPI YoY	-0.10%	--	-0.10%
15/06/2016	UK	Jobless Claims Change	0.0k	--	-2.4k
15/06/2016	UK	ILO Unemployment Rate 3Mths	5.10%	--	5.10%
15/06/2016	US	MBA Mortgage Applications	--	--	9.30%
15/06/2016	US	PPI Final Demand MoM	0.30%	--	0.20%
15/06/2016	US	Empire Manufacturing	-4	--	-9.02
15/06/2016	US	Industrial Production MoM	-0.20%	--	0.70%
15/06/2016	US	FOMC Rate Decision (Upper Bound)	0.50%	--	0.50%
15/06/2016	US	FOMC Rate Decision (Lower Bound)	0.25%	--	0.25%
15/06/2016	US	Fed Summary of Economic Projections			
16/06/2016	SP	Labour Costs YoY	--	--	1.20%
16/06/2016	UK	Bank of England Bank Rate	0.50%	--	0.50%
16/06/2016	US	Initial Jobless Claims	270k	--	264k
16/06/2016	US	CPI MoM	0.30%	--	0.40%
16/06/2016	JN	BOJ Monetary Policy Statement			
17/06/2016	US	Housing Starts	1150k	--	1172k

Source: Bloomberg

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