

# Weekly Economic Update

13 August 2018

FOR PROFESSIONAL ADVISERS ONLY



## UK

- The FTSE 100 closed the week at 7,667, up 0.6%. The UK 10 year gilt yield moved from 1.33% to 1.24%.
- International trade secretary, Liam Fox, was quoted saying that the chances of a 'no deal' Brexit were now at '60-40' while the foreign secretary, Jeremy Hunt, says that the odds are 'increasing by the day'. UK prime minister Theresa May is reportedly planning a meeting of cabinet ministers in order to prepare for the 'no deal' scenario. The pound weakened to its lowest level in a year against the dollar as fears mount of there being no agreement between the UK and the European Union by March.
- The UK economy grew by 0.4% in the second quarter, up from 0.2% in the first three months of the year.

## GLOBAL

- The Turkish Lira fell to another record low against the US dollar, continuing the currency's weakening that has seen a fall of over 70% so far in 2018. The falls come amidst reports of concern for regulators and the European Central Bank, given the exposure of European lenders to Turkey and the potential for a significantly weakened Turkish Lira to inhibit the ability of Turkish borrowers to repay their loans. Turkish finance minister, Berat Albayrak, has promised new economic measures to be implemented from today and the Central Bank of Turkey has offered further liquidity to banks. European stocks and emerging market assets fell in trading last week and this morning as markets assess risks of contagion. The developing crisis in Turkey comes at a time of poor relations with the US, with US president Donald Trump stating that he will double tariffs on steel and aluminium imports from Turkey given the detention of a US pastor in Turkey on charges of espionage against the Turkish president.
- The US increased tariffs on a further \$16 billion of Chinese goods, which in addition to the \$34 billion from last month means that \$50 billion of Chinese imports are subject to 25% tariffs. China responded immediately by imposing the same 25% tariff on \$16 billion of US goods, signalling its willingness for a tit-for-tat trade war with the US.
- Saudi Arabia has cut all ties with Canada following a call from the Canadian foreign minister for Saudi Arabia to release women's right activists. Saudi Arabia ended trade and diplomatic relations, ordered its central bank to sell its Canadian assets and recalled its students from Canada.
- After contracting by 0.6% in the first quarter of the year, the Japanese economy rebounded in the second quarter, growing at an annualised rate of 1.9%.

Equity Markets	Index Level 10 Aug 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4211	-0.6%	2.4%	7.8%
FTSE 100	7667	-0.5%	2.7%	7.9%
FTSE 250	20667	-0.9%	1.4%	7.7%
MSCI World	2140	2.4%	9.7%	15.0%
MSCI World EM	1062	0.7%	-0.8%	5.2%

Bond Markets	Yield 10 Aug 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.54	0.7%	0.8%	0.5%
FTA All Stock ILG index	-1.64	1.4%	0.9%	1.5%
FTA Over 5 Year ILG index	-1.64	1.5%	1.0%	1.7%
FTA Under 5 Year FIG Index	0.79	0.2%	0.0%	-0.5%
FTA Over 15 Year FIG Index	1.65	1.1%	1.6%	1.8%

Interest Rates & Yields	Yield 10 Aug 18	Yield 31 Jul 18	Yield 31 Dec 17	Yield 10 Aug 17
UK 15 Year Gilt Yield	1.53	1.59	1.51	1.45
US 10 Year Treasury Yield	2.87	2.96	2.41	2.20
German 10 Year Yield	0.32	0.44	0.43	0.42
Spanish 10 Year Yield	1.41	1.40	1.57	1.46
Greek 10 Year Yield	4.19	3.94	4.07	5.47
Japan 10 Year Yield	0.10	0.06	0.05	0.06

Currencies Exchange Rate	10 Aug 18	31 Jul 18	31 Dec 17	10 Aug 17
GBP / EURO	1.12	1.12	1.13	1.10
GBP / YEN	141.16	146.76	152.26	141.85

Commodities	Price Level 10 Aug 18	Price Level 31 Jul 18	Price Level 31 Dec 17	Price Level 10 Aug 17
Gold \$	1,211.70	1,224.09	1,303.05	1,286.34
Wheat \$	546.75	553.75	427.00	440.50

Source: Mobius Life, Bloomberg  
Please Note: Past performance is not a guide to future performance

Index Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2018. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" is a trade mark(s) of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent.

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Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
13/08/2018	IT	CPI EU Harmonized YoY	1.90%	1.90%	1.90%
14/08/2018	JN	Industrial Production MoM	--	--	-2.10%
14/08/2018	GE	GDP SA QoQ	0.40%	--	0.30%
14/08/2018	UK	Jobless Claims Change	--	--	7.8k
14/08/2018	UK	ILO Unemployment Rate 3Mths	4.20%	--	4.20%
14/08/2018	GE	ZEW Survey Expectations	-21.3	--	-24.7
15/08/2018	UK	CPI MoM	0.00%	--	0.00%
15/08/2018	US	MBA Mortgage Applications	--	--	-3.00%
15/08/2018	US	Empire Manufacturing	20	--	22.6
15/08/2018	US	Retail Sales Advance MoM	0.10%	--	0.50%
15/08/2018	US	Industrial Production MoM	0.30%	--	0.60%
16/08/2018	US	Initial Jobless Claims	215k	--	213k
16/08/2018	US	Housing Starts	1260k	--	1173k
17/08/2018	US	U. of Mich. Sentiment	98	--	97.9

Source: Bloomberg

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