

# Weekly Economic Update

14 March 2016



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 6,140, up 1.0%. The UK 10 year gilt yield moved from 1.48% to 1.58%.
- UK industrial production grew 0.3% month-on-month in January, stronger than expected, and was the first increase in three months. The expansion in manufacturing offset the reduction in energy extraction.
- Bank of England Governor, Mark Carney, testified to the Treasury Select Committee on the economic and financial costs and benefits of UK's EU membership last week. Carney, controversially warned that Britain leaving the EU is the "the biggest domestic risk to financial stability".

## GLOBAL

- Last week saw equity markets rally globally following the announcement of further stimulus measures from the European Central Bank (ECB) and a recover in energy prices.
- The ECB announced further efforts to fight deflation on Thursday, unexpectedly reducing its benchmark interest rate to zero. The rate on overnight bank deposits was lowered, 0.10% to -0.40%, further into negative territory. The quantitative easing programme was expanded from €60 billion to €80 billion per month, with eligibility given to euro-denominated non-bank investment grade corporate bonds. The ECB also announced four new targeted longer-term refinancing operations, each with a maturity of four years which will start in June. The measures were delivered alongside a warning from Mario Draghi that further rate cuts are not expected. The comments saw the euro jump after falling initially when the cuts were announced. The ECB also revised growth and inflation forecasts downwards.
- US 10 year treasury bonds fell once again over the week, marking the third successive week of falls, as equity markets and oil prices have rallied. Investors do not expect an interest rate rise at the Federal Reserve meeting this week. Expectations point to June's meeting for the next rate hike. The probability of an interest rate hike in June is at 50%, significantly higher than a month ago.
- Weak data released in China over the weekend showed that both the retail and industrial sectors underperformed in January and February. Industrial production grew 5.4% in the year to the end of February, below forecasts. Meanwhile, retail sales did not benefit from the expected uptick of China's new year holiday.
- New Zealand's central bank unexpectedly cut interest rates to a record low of 2.25% and signaled further easing may be warranted as they are concerned with falling inflation expectations.
- Oil prices ended the week 7% higher as investors priced in expectations of lower oil production. On Friday, the International Energy Agency commented that prices might have bottomed out, as they saw lower oil output in the US and other countries helping to reduce the supply glut.

Equity Markets	Index Level 11 Mar 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3368	0.9%	-1.4%	-3.9%
FTSE 100	6140	1.0%	-0.7%	-5.0%
FTSE 250	16595	0.0%	-4.5%	0.5%
MSCI World	1626	1.7%	0.6%	1.0%
S&P 500	2022	1.2%	1.7%	4.9%
DAX	9831	2.6%	-3.7%	-8.7%
Nikkei 225	16939	1.4%	-2.9%	0.0%
Hang Seng	20200	2.8%	-5.4%	-8.5%
MSCI World EM	801	4.6%	3.4%	-9.6%

Bond Markets	Yield 11 Mar 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.99	-1.3%	3.6%	4.9%
FTA All Stock ILG Index	-0.97	0.8%	5.6%	8.3%
FTA Over 5 Year ILG Index	-0.97	1.0%	6.4%	9.2%
FTA Under 5 Year FIG Index	0.71	-0.6%	1.0%	2.0%
FTA Over 15 Year FIG Index	2.26	-1.6%	6.3%	7.7%

Interest Rates & Yields	Yield 11 Mar 16	Yield 29 Feb 16	Yield 31 Dec 15	Yield 11 Mar 15
UK 15 Year Gilt Yield	2.07	1.92	2.29	2.23
US 10 Year Treasury Yield	1.98	1.73	2.27	2.11
German 10 Year Yield	0.27	0.11	0.63	0.21
Spanish 10 Year Yield	1.49	1.53	1.77	1.15
Greek 10 Year Yield	8.74	10.07	8.07	10.51
Japan 10 Year Yield	-0.02	-0.07	0.27	0.41

Currencies Exchange Rate	11 Mar 16	29 Feb 16	31 Dec 15	11 Mar 15
GBP / EURO	1.29	1.28	1.36	1.42
GBP / YEN	163.80	157.12	177.09	181.09

Commodities	Price Level 11 Mar 16	Price Level 29 Feb 16	Price Level 31 Dec 15	Price Level 11 Mar 15
Gold	1251	1239	1061	1155
Wheat	470	445	470	503

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
15/03/2016	JN	Industrial Production YoY	--	--	-3.80%
15/03/2016	FR	CPI EU Harmonized YoY	-0.10%	--	-0.10%
15/03/2016	IT	CPI EU Harmonized YoY	-0.20%	--	-0.20%
15/03/2016	US	Retail Sales Advance MoM	-0.10%	--	0.20%
15/03/2016	US	PPI Final Demand YoY	0.10%	--	-0.20%
15/03/2016	JN	BOJ Annual Rise in Monetary Base	¥80t	--	¥80t
15/03/2016	JN	BOJ Monetary Policy Statement			
15/03/2016	JN	BOJ Basic Balance Rate	--	--	0.10%
15/03/2016	JN	BOJ Macro Add-On Balance Rate	--	--	0.00%
15/03/2016	JN	BOJ Policy Rate	-0.10%	--	-0.10%
16/03/2016	UK	Claimant Count Rate	2.20%	--	2.20%
16/03/2016	UK	Jobless Claims Change	-9.1k	--	-14.8k
16/03/2016	UK	ILO Unemployment Rate 3Mths	5.10%	--	5.10%
16/03/2016	US	MBA Mortgage Applications	--	--	0.20%
16/03/2016	UK	U.K.'s Osborne Makes Budget Speech to Parliament			
16/03/2016	US	Housing Starts	1150k	--	1099k
16/03/2016	US	CPI YoY	0.90%	--	1.40%
16/03/2016	US	CPI Ex Food and Energy YoY	2.20%	--	2.20%
16/03/2016	US	Industrial Production MoM	-0.30%	--	0.90%
16/03/2016	US	Capacity Utilization	76.90%	--	77.10%
16/03/2016	US	FOMC Rate Decision (Lower Bound)	0.25%	--	0.25%
16/03/2016	US	FOMC Rate Decision (Upper Bound)	0.50%	--	0.50%
16/03/2016	JN	Trade Balance	¥400.2b	--	-¥645.9b
17/03/2016	UK	Bank of England Bank Rate	0.50%	--	0.50%
17/03/2016	UK	BOE Asset Purchase Target	375b	--	375b
17/03/2016	US	Current Account Balance	-\$117.4b	--	-\$124.1b
17/03/2016	US	Initial Jobless Claims	266k	--	259k
17/03/2016	US	Leading Index	0.20%	--	-0.20%
18/03/2016	GE	PPI YoY	-2.60%	--	-2.40%

Source: Bloomberg

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