

Weekly Economic Update

15 February 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 5,708, down 2.3%, as investors showed a lack of faith in central bank monetary policy to encourage growth. The index did recover from a fall of 5.3%, as investors moved back into stocks that were oversold. The UK 10 year gilt yield moved from 1.56% to 1.41%, reaching a low of 1.30%.

GLOBAL

- Global markets entered bear territory last week as signals of continued stimulus measures in Europe and Japan as well as suggestions that policymakers in the US will be more cautious, failed to prevent a wide range of selloffs of risk assets. Markets showed signs of recovery at the end of the week, rallying as investors believed the selloff was excessive.
- Chair of the Federal Reserve (Fed), Janet Yellen, spoke last week about conditions in markets and how this may affect the path of interest rates in the US. Her tone was cautious, as she stated that 'financial conditions in the US have recently become less supportive of growth'. She pointed towards the appreciation of the dollar, uncertainty in the Chinese economy and the continued effects of low commodities prices. However, she also defended the December rate rise and appeared to support further 'gradual adjustments in the stance of monetary policy', with low unemployment in the US and a still achievable 2% target for inflation.
- The People's Bank of China (PBoC) governor Zhou Xiaochuan made comments over the weekend that helped boost markets at their open, following a week's closure for their new year. The yuan fixing rate was lifted by the most in the 3 months by the PBoC, stabilising investor perception of the yuan and allowing the currency to rally. This followed data releases showing imports fell significantly more than exports in January, lifting the trade surplus to its highest ever value of \$63.3 billion.
- Germany's GDP growth for the 4th quarter of 2015 matched that of the 3rd quarter, with GDP rising 0.3%. This was in line with estimates and showed sustained strength in the economy despite global concerns about growth. The rise in GDP was driven largely by domestic consumer demand, helped by low inflation and low oil prices.
- The Japanese economy contracted in the 4th quarter, with GDP falling at an annualised rate of 1.4%, more than expectations. Despite expansionary measures implemented by the Bank of Japan, including the introduction of a negative interest rate for new deposits by financial institutions, the yen has appreciated 6% against the dollar since the turn of the month. This is likely to dampen exports and provides further challenges for the economy suffering from weak domestic consumption.
- It was another volatile week for oil prices, falling to the lowest price level in over a decade, before recovering after significant rises in trading volumes.
- Selloffs in markets towards the beginning of last week saw gold rise in value on the back of safe haven investments. Comments by Janet Yellen about global risks provided further uncertainty, pushing investors towards gold and the Japanese yen.
- Sweden moved their key interest rate from -0.35% to -0.5%, in a bid to help inflation and to suppress the krona in a response to monetary policy measures made by other central banks recently.

Equity Markets	Index Level 12 Feb 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3130	-6.1%	-9.0%	-11.8%
FTSE 100	5708	-6.0%	-8.4%	-13.3%
FTSE 250	15431	-6.4%	-11.3%	-5.8%
MSCI World	1486	-6.4%	-8.8%	-7.1%
S&P 500	1865	-5.4%	-6.9%	-3.1%
DAX	8968	-6.7%	-11.9%	-13.9%
Nikkei 225	14953	-10.4%	-14.3%	-7.3%
Hang Seng	18320	-8.5%	-15.3%	-17.9%
MSCI World EM	711	-5.8%	-8.8%	-20.1%

Bond Markets	Yield 12 Feb 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.87	1.2%	4.9%	4.3%
FTA All Stock ILG Index	-0.93	0.7%	5.5%	5.8%
FTA Over 5 Year ILG Index	-0.93	0.9%	6.4%	6.4%
FTA Under 5 Year FIG Index	0.58	0.3%	1.3%	2.1%
FTA Over 15 Year FIG Index	2.15	1.9%	8.3%	6.1%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	12 Feb 16	30 Nov 15	31 Dec 14	12 Feb 15
UK 10 Year Gilt Yield	1.41	1.56	1.96	1.66
UK 15 Year Gilt Yield	1.80	1.92	2.29	2.03
US 10 Year Treasury Yield	1.75	1.92	2.27	1.98
German 10 Year Yield	0.26	0.33	0.63	0.32
Spanish 10 Year Yield	1.74	1.51	1.77	1.62
Greek 10 Year Yield	11.27	9.35	8.07	9.87
Japan 10 Year Yield	0.08	0.10	0.27	0.40

Currencies Exchange Rate	12 Feb 16	30 Nov 15	31 Dec 14	12 Feb 15
	GBP / USD	1.45	1.42	1.47
GBP / EURO	1.29	1.31	1.36	1.35
GBP / YEN	163.86	172.03	177.09	182.69

Commodities	Price Level	Price Level	Price Level	Price Level
	12 Feb 16	30 Nov 15	31 Dec 14	12 Feb 15
Oil - WTI	29.4	33.6	37.0	51.2
Gold	1238	1118	1061	1222
Wheat	458	479	470	521

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
15/02/2016	CH	Trade Balance	\$60.60b	\$63.29b	\$60.09b
15/02/2016	JN	Industrial Production MoM	--	-1.70%	-1.40%
15/02/2016	JN	Tertiary Industry Index MoM	-0.10%	-0.60%	-0.80%
15/02/2016	CH	Money Supply M2 YoY	13.50%	--	13.30%
16/02/2016	UK	CPI MoM	-0.70%	--	0.10%
16/02/2016	GE	ZEW Survey Current Situation	55	--	59.7
16/02/2016	US	Empire Manufacturing	-10.5	--	-19.37
16/02/2016	JN	Machine Orders MoM	4.40%	--	-14.40%
17/02/2016	JN	Machine Tool Orders YoY	--	--	-17.20%
17/02/2016	UK	Claimant Count Rate	2.30%	--	2.30%
17/02/2016	UK	Jobless Claims Change	-3.0k	--	-4.3k
17/02/2016	UK	ILO Unemployment Rate 3Mths	5.00%	--	5.10%
17/02/2016	US	MBA Mortgage Applications	--	--	9.30%
17/02/2016	US	Housing Starts	1175k	--	1149k
17/02/2016	US	Industrial Production MoM	0.40%	--	-0.40%
17/02/2016	JN	Trade Balance	-¥650.0b	--	¥140.2b
18/02/2016	CH	CPI YoY	1.90%	--	1.60%
18/02/2016	US	Initial Jobless Claims	275k	--	269k
19/02/2016	JN	All Industry Activity Index MoM	-0.30%	--	-1.00%
19/02/2016	US	CPI MoM	-0.10%	--	-0.10%

Source: Bloomberg

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