

Weekly Economic Update

15 May 2017



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 7,435, up 2.1%. The UK 10 year gilt yield moved from 1.12% to 1.09%.
- The Bank of England left interest rates unchanged on Thursday as expected. Forecasts for economic growth in 2017 were marginally cut from 2% to 1.9%. Governor, Mark Carney, laid out a more difficult year for UK households with forecast inflation of 2.8% expected to outstrip a 2% rise in average weekly earnings, meaning a potential fall in real wages. Carney also suggested that a smooth Brexit process could encourage a faster path of interest rate rises.
- Retail sales in the UK increased by the most in a single month since April 2006. The year up to the end of March saw a 1% decline in retail sales but there was a rise of 5.6% in the 12 months to April, helped by this year's later Easter. Online sales of non-food items increased by 8.2% in the 3 months to April.
- A global cyber attack dominated headlines over the weekend with particular focus on its impact on the National Health Service as the attack caused significant issues for NHS Trusts across the country. As the UK gets ready to vote in the upcoming election, the events have turned focus to the vulnerability of our NHS.

GLOBAL

- Global equities were relatively unchanged as the dust settled on the French election and the Trump administration caused another stir in Washington.
- US president Donald Trump (on the advice of the US Attorney General) fired the director of the FBI last week, citing his dealing of the investigation into Hillary Clinton's emails as the reason. Trump stated that his replacement would bring back the 'spirit and prestige' of the FBI. There have been suggestions that the firing of James Comey is linked to the FBI's ongoing investigations into alleged Russian influence in Trump's election campaign.
- US retail sales rose 0.4% in April and 4.5% in the 12 months up to the end of April according to data released by the Commerce Department. The monthly rise was the largest in 3 months and previous months were revised slightly higher.
- Volatility in markets fell to the lowest level for 24 years according to the VIX index (Chicago Board Options Exchange Index). The VIX fell to 9.7 at the start of the week before rebounding to close at 10.5 on Friday.
- Greece have downgraded growth forecasts as Europe's finance ministers prepare to discuss next steps in debt relief for Greece. The International Monetary Fund (IMF) and EU members continue to disagree on Greece's budget targets, with the IMF asking for lower targets and 'more realism on some of the economic assumptions and on debt relief', according to an IMF official last week.
- Oil prices jumped after recent falls as Russia and Saudi Arabia showed further commitment to production cuts, stating that they are in favour of extending them into 2018. Oil prices had edged lower amidst rising production in the US and in Libya.
- The new president of South Korea, Moon Jae-in, has pledged to seek improvement in relations between South and North Korea.

Equity Markets	Index Level 12 May 17	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4071	3.0%	6.7%	25.9%
FTSE 100	7435	3.4%	5.8%	26.7%
FTSE 250	19763	0.9%	10.5%	22.0%
MSCI World	1893	1.6%	4.7%	32.2%
S&P 500	2391	1.0%	3.2%	32.9%
DAX	12770	3.5%	10.4%	39.5%
Nikkei 225	19884	2.4%	2.6%	28.9%
Hang Seng	25156	2.6%	9.7%	46.5%
MSCI World EM	1002	3.2%	12.1%	43.4%

Bond Markets	Yield 12 May 17	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.46	-0.2%	1.6%	6.4%
FTA All Stock ILG Index	-1.72	-1.6%	2.7%	22.5%
FTA Over 5 Year ILG Index	-1.72	-1.8%	2.8%	25.0%
FTA Under 5 Year FIG Index	0.20	0.0%	0.3%	1.3%
FTA Over 15 Year FIG Index	1.67	-0.5%	2.3%	11.7%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	12 May 17	30 Apr 17	31 Dec 16	12 May 16
UK 10 Year Gilt Yield	1.09	1.09	1.24	1.40
UK 15 Year Gilt Yield	1.49	1.47	1.63	1.96
US 10 Year Treasury Yield	2.33	2.28	2.44	1.75
German 10 Year Yield	0.39	0.32	0.21	0.15
Spanish 10 Year Yield	1.63	1.65	1.38	1.62
Greek 10 Year Yield	5.61	6.25	7.02	7.33
Japan 10 Year Yield	0.04	0.02	0.04	-0.11

Currencies Exchange Rate	12 May 17	30 Apr 17	31 Dec 16	12 May 16
	GBP / USD	1.29	1.30	1.23
GBP / EURO	1.18	1.19	1.17	1.27
GBP / YEN	146.01	144.28	144.01	157.59

Commodities	Price Level	Price Level	Price Level	Price Level
	12 May 17	30 Apr 17	31 Dec 16	12 May 16
Oil - WTI \$	47.84	49.33	53.72	46.70
Gold \$	1,228.13	1,268.29	1,152.27	1,263.71
Wheat \$	425.00	418.50	408.00	458.50

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
15/05/2017	JN	PPI YoY	1.80%	2.10%	1.40%
15/05/2017	CH	Industrial Production YoY	7.00%	6.50%	7.60%
15/05/2017	IT	CPI EU Harmonized YoY	2.00%	2.00%	2.00%
16/05/2017	JN	Tertiary Industry Index MoM	0.10%	--	0.20%
16/05/2017	FR	CPI YoY	1.20%	--	1.20%
16/05/2017	IT	GDP WDA YoY	0.80%	--	1.00%
16/05/2017	UK	CPI YoY	2.60%	--	2.30%
16/05/2017	UK	PPI Output NSA MoM	0.20%	--	0.40%
16/05/2017	GE	ZEW Survey Current Situation	82	--	80.1
16/05/2017	GE	ZEW Survey Expectations	22	--	19.5
16/05/2017	US	Housing Starts	1260k	--	1215k
16/05/2017	US	Industrial Production MoM	0.40%	--	0.50%
17/05/2017	JN	Machine Orders MoM	2.50%	--	1.50%
17/05/2017	JN	Industrial Production MoM	--	--	-2.10%
17/05/2017	UK	Jobless Claims Change	--	--	25.5k
17/05/2017	UK	ILO Unemployment Rate 3Mths	4.70%	--	4.70%
17/05/2017	US	MBA Mortgage Applications	--	--	2.40%
18/05/2017	JN	GDP SA QoQ	0.50%	--	0.30%
19/05/2017	US	Initial Jobless Claims	240k	--	236k
20/05/2017	US	Leading Index	0.40%	--	0.40%

Source: Bloomberg

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