

Weekly Economic Update

15 August 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,916, up 2.3%. The UK 10 year gilt yield moved from 0.67% to 0.52%.
- On Tuesday, when continuing their quantitative easing program, the Bank of England (BoE) were unable to meet their purchase target of long-dated government debt. This was the first time, since the bond purchases began in 2009, that the government were unable to find a sufficient number of sellers. The BoE were £52mn below their £1.17bn target. The unwillingness of investors to part with their bonds pushed yields to record lows.

GLOBAL

- Global equity markets edged upwards through the week despite an overall lack of positive data releases. Emerging markets did well as China showed some signs of recovery and oil prices rallied as investors saw potential for stabilisation in oil markets.
- The US Labour Department released data on Tuesday showing that productivity in the labour market had fallen for the third quarter in a row. Hourly output per worker has fallen by an annualised 0.5% in the 3 months up to the end of June according to the figures, suggesting downward pressures on company profits. Other data released on Friday showed that retail sales in the US were unexpectedly unchanged for July, suggesting a curb in consumer spending. The producer price index (PPI) fell by 0.2% in the year through to the end of July, the largest fall since December 2015.
- China's PPI fell by 1.7% in the 12 months to the end of July according to the National Bureau of Statistics. The reported fall was smaller in magnitude than analysts were forecasting, and was the smallest fall in nearly 2 years. The figure suggests an easing of deflationary pressures in the manufacturing sector, which would mean an improving environment for the country's manufacturers. The consumer price index (CPI) rose by 1.8% for the year, still less than the government's 3% target.
- The price of oil rallied as investors speculated that September's meeting of the Organisation of Petroleum Exporting Countries (OPEC) could lead to some form of output freeze to help stabilise oil markets. Khalid Al-Falih, energy minister in Saudi Arabia, confirmed that OPEC members are in ongoing talks and that Saudi Arabia are open to the idea of taking action. There were hopes in April that an agreement on output levels could be reached, before talks broke down.
- Members of the European Union (EU) decided to cancel fines to be paid by Spain and Portugal for exceeding the EU budget deficit limit of 3%. Portugal has been given an additional year to lower their deficit to 2.5%, while Spain has 2 years to move the deficit below the limit.
- New Zealand's central bank cut its interest rate by 0.25% to 2%, a record low. The central bank hinted towards further rate cuts and the New Zealand dollar strengthened after the decision, with some investors having priced in a more aggressive cut.

Equity Markets	Index Level 12 Aug 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3762	3.5%	12.3%	9.3%
FTSE 100	6916	3.5%	14.2%	10.1%
FTSE 250	17921	3.8%	4.7%	5.7%
MSCI World	1736	3.4%	21.3%	23.9%
S&P 500	2184	3.0%	23.5%	29.6%
DAX	10713	6.2%	17.1%	18.7%
Nikkei 225	16920	5.8%	21.6%	23.1%
Hang Seng	22767	6.7%	22.0%	20.2%
MSCI World EM	910	6.8%	33.2%	31.5%

Bond Markets	Yield 12 Aug 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	0.97	3.0%	17.1%	16.1%
FTA All Stock ILG Index	-1.71	6.9%	25.8%	19.2%
FTA Over 5 Year ILG Index	-1.71	7.6%	29.1%	21.2%
FTA Under 5 Year FIG Index	0.10	0.1%	2.9%	3.3%
FTA Over 15 Year FIG Index	1.14	6.1%	32.9%	29.4%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	12 Aug 16	31 Jul 16	31 Dec 15	12 Aug 15
UK 10 Year Gilt Yield	0.52	0.69	1.96	1.79
UK 15 Year Gilt Yield	0.94	1.21	2.29	2.18
US 10 Year Treasury Yield	1.51	1.45	2.27	2.15
German 10 Year Yield	-0.11	-0.12	0.63	0.61
Spanish 10 Year Yield	0.93	1.02	1.77	1.98
Greek 10 Year Yield	8.06	8.07	8.07	10.16
Japan 10 Year Yield	-0.11	-0.20	0.27	0.37

Currencies Exchange Rate	12 Aug 16	31 Jul 16	31 Dec 15	12 Aug 15
	GBP / USD	1.29	1.32	1.47
GBP / EURO	1.16	1.19	1.36	1.40
GBP / YEN	130.71	135.40	177.09	193.95

Commodities	Price Level	Price Level	Price Level	Price Level
	12 Aug 16	31 Jul 16	31 Dec 15	12 Aug 15
Oil - WTI	44.49	41.60	37.04	43.30
Gold	1,335.85	1,351.00	1,061.42	1,124.46
Wheat	422.50	407.75	470.00	492.25

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
15/08/2016	UK	Rightmove House Prices MoM	--	-0.012	-0.009
15/08/2016	JN	GDP SA QoQ	0.002	0	0.005
15/08/2016	JN	Industrial Production MoM	--	0.023	0.019
15/08/2016	US	Empire Manufacturing	2	--	0.55
16/08/2016	UK	CPI YoY	0.005	--	0.005
16/08/2016	UK	PPI Output NSA MoM	0.002	--	0.002
16/08/2016	GE	ZEW Survey Current Situation	50.2	--	49.8
16/08/2016	GE	ZEW Survey Expectations	2	--	-6.8
16/08/2016	US	Housing Starts	1180k	--	1189k
16/08/2016	US	CPI MoM	0	--	0.002
16/08/2016	US	Industrial Production MoM	0.003	--	0.006
17/08/2016	UK	Claimant Count Rate	0.022	--	0.022
17/08/2016	UK	Jobless Claims Change	9.0k	--	0.4k
17/08/2016	UK	ILO Unemployment Rate 3Mths	0.049	--	0.049
17/08/2016	US	MBA Mortgage Applications	--	--	0.071
18/08/2016	JN	Trade Balance	¥273.2b	--	¥692.8b
18/08/2016	UK	Retail Sales Ex Auto Fuel MoM	0.003	--	-0.009
18/08/2016	US	Initial Jobless Claims	265k	--	266k
18/08/2016	US	Leading Index	0.003	--	0.003
19/08/2016	JN	All Industry Activity Index MoM	0.009	--	-0.01
19/08/2016	UK	Public Sector Net Borrowing	-2.2b	--	7.3b

Source: Bloomberg

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