

# Weekly Economic Update

15 October 2018

FOR PROFESSIONAL ADVISERS ONLY



## UK

- The FTSE 100 closed the week at 6,996, down 4.3%. The UK 10 year gilt yield moved from 1.72% to 1.63%.
- Reports suggest that Brexit talks ended in a deadlock on Sunday following a week of negotiations with EU chief negotiator Michel Barnier admitting that 'key issues are still open'. It is unlikely that further progress will be made before EU leaders meet in Brussels on Wednesday, when the hope was to confirm that a deal could be signed by the middle of November deadline. The pound weakened in early trading this morning following a period of strengthening as hopes for a deal had grown over the last few weeks.

## GLOBAL

- Volatility in markets increased last week, with the CBOE Volatility Index (VIX) climbing to 29 on Wednesday from lows of 12 earlier in October. Equity markets sold off globally on Wednesday and Thursday, starting in the US and spreading across markets. Declines have been attributed to higher bond yields and higher long term inflation expectations.
- US president Donald Trump blamed the Federal Reserve (Fed) for volatility in equity markets, due to their tightening of monetary policy. He said he was 'disappointed' in Fed chairman Jerome Powell and that the Fed 'is going wild' by raising rates.
- The International Monetary Fund (IMF) downgraded global growth estimates from 3.9% to 3.7% for both 2018 and 2019. The IMF pointed towards trade tensions and unstable emerging markets as reasons for the downgrade.
- Trump has vowed to give 'severe punishment' for Saudi Arabia if they prove to be involved in the disappearance of journalist Jamal Khashoggi, who has been a critic of the Saudi government. Saudi Arabia is the largest producer of oil in the Organisation of Petroleum Exporting Countries (OPEC), and markets are now speculating whether they will use their position in OPEC politically as part of any retaliation.
- The People's Bank of China has lowered the amount of reserves that its bank must hold for the fourth time this year, as part of their attempts to support their economy amidst a trade war with the US. The bank's governor, Yi Gang, has maintained that their monetary policy stance is neutral.
- Moody's and S&P Global are reviewing Italian government debt for a downgrade in their credit rating. This follows the decision of the Italian government to increase spending significantly above recent levels.

Equity Markets	Index Level 12 Oct 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3850	-6.6%	-5.7%	-3.5%
FTSE 100	6996	-6.7%	-5.7%	-3.5%
FTSE 250	18973	-6.5%	-6.4%	-3.8%
MSCI World	2063	-6.3%	2.9%	5.2%
MSCI World EM	980	-7.2%	-10.9%	-9.6%

Bond Markets	Yield 12 Oct 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.85	-1.1%	-2.4%	-0.3%
FTA All Stock ILG index	-1.44	-0.9%	-3.0%	-0.8%
FTA Over 5 Year ILG index	-1.43	-1.0%	-3.3%	-0.9%
FTA Under 5 Year FIG Index	0.99	0.0%	-0.3%	0.0%
FTA Over 15 Year FIG Index	1.99	-2.3%	-4.5%	-0.6%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	12 Oct 18	30 Sep 18	31 Dec 17	12 Oct 17
UK 10 Year Gilt Yield	1.63	1.57	1.19	1.38
UK 15 Year Gilt Yield	1.81	1.72	1.51	1.71
US 10 Year Treasury Yield	3.16	3.06	2.41	2.32
German 10 Year Yield	0.50	0.47	0.43	0.45
Spanish 10 Year Yield	1.68	1.50	1.57	1.64
Greek 10 Year Yield	4.38	4.15	4.07	5.53
Japan 10 Year Yield	0.15	0.13	0.05	0.06

Currencies Exchange Rate	12 Oct 18	30 Sep 18	31 Dec 17	12 Oct 17
	GBP / USD	1.32	1.30	1.35
GBP / EURO	1.14	1.12	1.13	1.12
GBP / YEN	147.35	148.02	152.26	148.82

Commodities	Price Level	Price Level	Price Level	Price Level
	12 Oct 18	30 Sep 18	31 Dec 17	12 Oct 17
Oil - WTI \$	71.34	73.25	60.42	50.60
Gold \$	1,217.95	1,192.50	1,303.05	1,293.70
Wheat \$	517.25	509.00	427.00	430.50

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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# Weekly Economic Update

Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
15/10/2018	JN	Industrial Production MoM	--	0.20%	0.70%
15/10/2018	US	Retail Sales Advance MoM	0.60%	--	0.10%
15/10/2018	CH	Money Supply M2 YoY	8.30%	--	8.20%
16/10/2018	CH	CPI YoY	2.50%	--	2.30%
16/10/2018	UK	Claimant Count Rate	--	--	2.60%
16/10/2018	UK	Jobless Claims Change	--	--	8.7k
16/10/2018	IT	CPI EU Harmonized YoY	1.60%	--	1.60%
16/10/2018	US	Industrial Production MoM	0.20%	--	0.40%
17/10/2018	UK	CPI MoM	0.30%	--	0.70%
17/10/2018	US	MBA Mortgage Applications	--	--	-1.70%
17/10/2018	US	Housing Starts	1210k	--	1282k
19/10/2018	CH	Industrial Production YoY	6.00%	--	6.10%
19/10/2018	US	Existing Home Sales	5.29m	--	5.34m

Source: Bloomberg

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