

# Weekly Economic Update

16 May 2016



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 6,108, down 0.2%. The UK 10 year gilt yield moved from 1.42% to 1.37%.
- The Bank of England left the base interest rate unchanged at 0.5%. The focus of governor Mark Carney was the upcoming EU referendum as he warned that a 'Brexit' vote to leave the euro-zone could send the UK into a recession. Carney also stated that an exit from the eurozone would weaken pound sterling, encourage inflation and worsen unemployment. This scenario would 'affect the appropriate setting of monetary policy'.

## GLOBAL

- Markets were mixed last week as investors continue to monitor data releases for clues on global growth. German manufacturing data was weaker than expected and consumer companies in the US suffered from investors' growth concerns. Volatility in emerging markets was driven by uncertainty around the Chinese government's stance on further policy easing.
- Industrial production in Germany unexpectedly fell by 1.3% in March. Analysts were forecasting falls in the region of 0.2% but a significant 3.2% fall in construction had a detrimental effect on output. GDP in Germany grew by 0.7% in the first quarter which is the best quarterly figure for two years, driven by record low unemployment in the country.
- The S&P 500 Index fell towards the end of the week as investors sold out of consumer stocks on the back of growth concerns. The falls came after an initial rally at the start of the week when commodities picked up following falls.
- The People's Bank of China released a statement over the week-end reiterating that it will continue to use monetary policy in order to support growth in the economy. The message followed a data release showing that new loans were less than expected in April at 555.6 billion yuan whereas estimates were closer to 800 billion yuan. The data had suggested caution in the government's stimulus measures resulting in falls in Chinese share prices. Industrial production rose by 6% in the year to April, below 6.8% for the year to March and below expectations of 6.5%. Retail sales and fixed-asset investment growth were also below estimates.
- Moody's has downgraded Saudi Arabia's credit rating following a period of declining oil prices. Their long term issuer rating was reduced from Aa3 to A1, with Moody's citing 'lower growth, higher debt levels and smaller domestic and external buffers'. Two other oil producing nations, Bahrain and Oman, were also downgraded.
- Dilma Rousseff, president of Brazil, was suspended for 6 months last week following a vote in parliament. The decision comes following allegations of corruption, which she denies. Rousseff will go on trial and will need less than two-thirds of the jury to find her guilty in order to be judged as innocent.

Equity Markets	Index Level 13 May 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3356	-1.7%	-1.0%	-7.6%
FTSE 100	6108	-1.9%	-0.5%	-8.6%
FTSE 250	16615	-0.7%	-3.4%	-4.1%
MSCI World	1650	0.1%	2.3%	3.0%
S&P 500	2057	1.2%	3.7%	9.4%
DAX	9915	-0.6%	-1.3%	-4.8%
Nikkei 225	16412	-0.6%	-1.6%	-0.6%
Hang Seng	19719	-4.5%	-7.1%	-17.8%
MSCI World EM	807	-2.8%	4.1%	-12.7%

Bond Markets	Yield 13 May 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.89	1.4%	5.2%	6.7%
FTA All Stock ILG Index	-0.87	0.8%	4.2%	2.1%
FTA Over 5 Year ILG Index	-0.87	0.9%	4.7%	2.3%
FTA Under 5 Year FIG Index	0.54	0.4%	1.6%	2.5%
FTA Over 15 Year FIG Index	2.17	2.3%	8.5%	10.1%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	13 May 16	30 Apr 16	31 Dec 15	13 May 15
UK 10 Year Gilt Yield	1.37	1.60	1.96	2.02
UK 15 Year Gilt Yield	1.93	2.09	2.29	2.37
US 10 Year Treasury Yield	1.73	1.83	2.27	2.29
German 10 Year Yield	0.13	0.27	0.63	0.72
Spanish 10 Year Yield	1.61	1.59	1.77	1.88
Greek 10 Year Yield	7.34	8.41	8.07	10.37
Japan 10 Year Yield	-0.12	-0.09	0.27	0.46

Currencies Exchange Rate	13 May 16	30 Apr 16	31 Dec 15	13 May 15
	GBP / USD	1.43	1.46	1.47
GBP / EURO	1.27	1.28	1.36	1.38
GBP / YEN	156.66	156.25	177.09	187.48

Commodities	Price Level	Price Level	Price Level	Price Level
	13 May 16	30 Apr 16	31 Dec 15	13 May 15
Oil - WTI	46.0	45.9	37.0	60.5
Gold	1272	1293	1061	1216
Wheat	466	478	470	481

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
16/05/2016	UK	Rightmove House Prices MoM	--	0.40%	1.30%
16/05/2016	JN	PPI YoY	-3.70%	-4.20%	-3.80%
17/05/2016	JN	Industrial Production MoM	--	--	3.60%
17/05/2016	UK	CPI MoM	0.30%	--	0.40%
17/05/2016	UK	PPI Output NSA MoM	0.20%	--	0.30%
17/05/2016	US	Housing Starts	1125k	--	1089k
17/05/2016	US	CPI MoM	0.30%	--	0.10%
17/05/2016	US	Industrial Production MoM	0.30%	--	-0.60%
18/05/2016	JN	GDP SA QoQ	0.10%	--	-0.30%
18/05/2016	UK	Claimant Count Rate	2.10%	--	2.10%
18/05/2016	UK	Jobless Claims Change	4.5k	--	6.7k
18/05/2016	UK	ILO Unemployment Rate 3Mths	5.10%	--	5.10%
18/05/2016	US	MBA Mortgage Applications	--	--	0.40%
18/05/2016	US	FOMC Meeting Minutes	--	--	--
19/05/2016	JN	Machine Orders MoM	-2.00%	--	-9.20%
19/05/2016	JN	All Industry Activity Index MoM	0.70%	--	-1.20%
19/05/2016	JN	Machine Tool Orders YoY	--	--	-26.40%
19/05/2016	UK	Retail Sales Ex Auto Fuel MoM	0.70%	--	-1.60%
19/05/2016	US	Initial Jobless Claims	275k	--	294k
20/05/2016	US	Existing Home Sales	5.40m	--	5.33m

Source: Bloomberg

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