

# Weekly Economic Update

16 July 2018



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 7,662 up 0.6%. The UK 10 year gilt yield was unchanged at 1.27%.
- Theresa May has been hit with multiple resignations after seemingly making progress with a Brexit blueprint the previous week. First to resign was David Davis her Brexit negotiator who was responsible for managing the process for leaving the European Union (EU). Boris Johnson then followed suit along with 6 other Conservative Party members.
- Thursday saw the release of the white paper (a more detailed version of the Chequers agreement) sparking more unrest for Brexiteers, with many seeing it as too soft. The plan proposed a free trade area for manufactured goods and agriculture, for which the UK will abide by EU rules and standards, holding closer ties to the EU than many Brexiteers wanted.
- Brexiteers were not the only people to disagree with the Brexit plans as President Trump said the plan would "probably kill any trade deal with the US". He continued to undermine May by backing Boris Johnson for her role stating he would make a "great prime minister". Trump then moved on to criticise London Mayor Sadiq Khan for his handling of the terrorist attacks last summer.

## GLOBAL

- The Trump administration ramped up the trade war after China's retaliation and failure to change its 'unfair' trade practices. President Trump has started the process to impose a 10% tariff on \$200bn more of Chinese goods including sea food and handbags. On top of the second round of 25% tariffs on \$16bn set to be implemented in the coming weeks, the announcement caused a sharp fall in Asian stock markets. China has threatened to retaliate with non-tariff barriers as they don't import enough US goods for equal retaliation.
- The Federal Reserve (Fed) chairman Jerome Powell gave his first broadcast interview since taking the job 5 months ago stating he is "not concerned" by political pressures and a strong economy will allow the central bank to continue to raise rates gradually.
- US Consumer Price Index (CPI) data released last week also suggests the Fed could continue to increase rates gradually. CPI was up 0.1% for June and 2.9% for the year ending June 2018.
- Head of the European Central Bank (ECB) Mario Draghi wants the EU to 'lead by example' supporting economic openness while stating new trade barriers are the biggest threat to Europe's economy. Draghi also confirmed the end of three years of stimulus in December this year with inflation at target levels of just under 2%.
- Oil prices fell for the week on news that Libya would soon be exporting large quantities again. West Texas Intermediate finished the week down 3.8%.

Equity Markets	Index Level 13 Jul 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4213	0.3%	2.0%	8.0%
FTSE 100	7662	0.3%	2.0%	7.6%
FTSE 250	20813	0.0%	1.9%	10.0%
MSCI World	2135	2.0%	5.4%	10.4%
MSCI World EM	1076	0.8%	-3.4%	3.8%

Bond Markets	Yield 13 Jul 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.55	0.1%	0.5%	2.4%
FTA All Stock ILG index	-1.60	0.7%	-0.2%	4.8%
FTA Over 5 Year ILG index	-1.60	0.8%	-0.3%	5.2%
FTA Under 5 Year FIG Index	0.79	0.0%	-0.1%	-0.3%
FTA Over 15 Year FIG Index	1.66	0.2%	1.3%	5.3%

Interest Rates & Yields	Yield 13 Jul 18	Yield 30 Jun 18	Yield 31 Dec 17	Yield 13 Jul 17
UK 15 Year Gilt Yield	1.56	1.56	1.51	1.67
US 10 Year Treasury Yield	2.83	2.86	2.41	2.34
German 10 Year Yield	0.34	0.30	0.43	0.60
Spanish 10 Year Yield	1.26	1.32	1.57	1.71
Greek 10 Year Yield	3.83	3.93	4.07	5.30
Japan 10 Year Yield	0.04	0.03	0.05	0.08

Currencies Exchange Rate	13 Jul 18	30 Jun 18	31 Dec 17	13 Jul 17
GBP / EURO	1.13	1.13	1.13	1.13
GBP / YEN	148.62	146.16	152.26	146.44

Commodities	Price Level 13 Jul 18	Price Level 30 Jun 18	Price Level 31 Dec 17	Price Level 13 Jun 17
Gold \$	1,241.45	1,253.16	1,303.05	1,217.59
Wheat \$	481.50	497.50	427.00	495.50

Source: Mobius Life, Bloomberg

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

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# Weekly Economic Update

Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
16/07/2018	UK	Rightmove House Prices MoM	--	-0.10%	0.40%
16/07/2018	UK	Rightmove House Prices YoY	--	1.40%	1.70%
16/07/2018	CH	GDP YoY	6.70%	6.70%	6.80%
16/07/2018	CH	Industrial Production YoY	6.50%	6.00%	6.80%
16/07/2018	US	Retail Sales Advance MoM	0.50%	0.50%	0.80%
17/07/2018	UK	Jobless Claims Change	--	--	-7.7k
17/07/2018	UK	ILO Unemployment Rate 3Mths	4.20%	--	4.20%
17/07/2018	IT	CPI EU Harmonized YoY	1.50%	--	1.50%
17/07/2018	US	Industrial Production MoM	0.50%	--	-0.10%
18/07/2018	UK	CPI MoM	0.20%	--	0.40%
18/07/2018	UK	CPI YoY	2.60%	--	2.40%
18/07/2018	UK	Retail Price Index	281.90	--	280.70
18/07/2018	UK	RPI YoY	3.50%	--	3.30%
18/07/2018	US	MBA Mortgage Applications	--	--	2.50%
18/07/2018	US	Housing Starts	1320k	--	1350k
19/07/2018	JN	Trade Balance	¥531.2b	--	-¥578.3b
19/07/2018	US	Initial Jobless Claims	221k	--	214k
19/07/2018	US	Leading Index	0.40%	--	0.20%
20/07/2018	JN	All Industry Activity Index MoM	0.00%	--	1.00%
20/07/2018	GE	PPI YoY	3.00%	--	2.70%

Source: Bloomberg

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