

# Weekly Economic Update

17 September 2018

FOR PROFESSIONAL ADVISERS ONLY



## UK

- The FTSE 100 closed the week at 7,304, up 0.4%. The UK 10 year gilt yield moved from 1.46% to 1.53%.
- The mayor of London, Sadiq Khan, has called for another EU referendum, stating that the UK currently faced a 'bad deal' or no deal at all. Khan had campaigned previously to remain in the EU and has criticised the 'chaotic' approach to negotiations.
- Governor of the Bank of England (BoE), Mark Carney, has extended his term at the BoE to January 2020 in order to support the UK's transition out of the European Union. He was previously scheduled to depart in June 2019, not long after the UK's current departure date of 29th March. Carney warned last week that a 'no deal' Brexit could see a 35% drop in house prices over three years as well as a doubling of the unemployment rate. The BoE unanimously voted to leave interest rates unchanged last week as expected.

## GLOBAL

- Global equities advanced last weeks amidst relative calm in emerging markets and as it appeared that there would be continued US-China trade talks before the imposition of further US tariffs on Chinese goods. However, it since appears that US president Donald Trump would like to push on with the tariffs regardless and they could be implemented in the coming days.
- The European Central Bank (ECB) left interest rates unchanged as expected. ECB president Mario Draghi reaffirmed plans to finish their current quantitative easing programme by the end of the year. The Eurozone's growth forecast for this year was lowered from 2.1% to 2%.
- The Bank of Japan (BoJ) will meet on Wednesday and are expected to leave monetary policy unchanged. Japanese inflation numbers will then be released on Friday, with markets looking at progress towards the BoJ's elusive 2% target.
- Turkey's central bank raised its short term interest rate from 17.75% to 24% on Thursday, despite calls from President Recep Tattip Erdogan to lower them just hours before. The move was taken in the context of a 40% fall in the Turkish lira against the dollar in 2018. The interest rate increase was more aggressive than markets expected and the lira strengthened following the announcement.
- Hurricane Florence and Typhoon Mangkhut hit Carolina and Hong Kong respectively. Both have weakened as they reached land but there have been deaths and economic disruption.

| Equity Markets | Index Level<br>14 Sep 18 | Total Return (Sterling) |       |        |
|----------------|--------------------------|-------------------------|-------|--------|
|                |                          | MtD                     | YtD   | 1 Year |
| FTSE All Share | 4038                     | -1.5%                   | -1.4% | 4.8%   |
| FTSE 100       | 7304                     | -1.6%                   | -1.8% | 4.3%   |
| FTSE 250       | 20376                    | -1.4%                   | 0.3%  | 7.2%   |
| MSCI World     | 2167                     | -1.2%                   | 8.5%  | 14.6%  |
| MSCI World EM  | 1029                     | -3.3%                   | -6.1% | -1.7%  |

| Bond Markets               | Yield<br>14 Sep 18 | Index % Change (Sterling) |       |        |
|----------------------------|--------------------|---------------------------|-------|--------|
|                            |                    | MtD                       | YtD   | 1 Year |
| FTA All Stock Gilt Index   | 1.69               | -1.1%                     | -0.9% | 0.3%   |
| FTA All Stock ILG index    | -1.50              | -1.3%                     | -2.4% | -0.9%  |
| FTA Over 5 Year ILG index  | -1.50              | -1.4%                     | -2.6% | -1.0%  |
| FTA Under 5 Year FIG Index | 0.95               | -0.2%                     | -0.3% | -0.3%  |
| FTA Over 15 Year FIG Index | 1.82               | -1.9%                     | -1.4% | 1.0%   |

| Interest Rates & Yields   | Yield     | Yield     | Yield     | Yield     |
|---------------------------|-----------|-----------|-----------|-----------|
|                           | 14 Sep 18 | 31 Aug 18 | 31 Dec 17 | 14 Sep 17 |
| UK 10 Year Gilt Yield     | 1.53      | 1.43      | 1.19      | 1.23      |
| UK 15 Year Gilt Yield     | 1.67      | 1.57      | 1.51      | 1.57      |
| US 10 Year Treasury Yield | 3.00      | 2.86      | 2.41      | 2.18      |
| German 10 Year Yield      | 0.45      | 0.33      | 0.43      | 0.41      |
| Spanish 10 Year Yield     | 1.49      | 1.47      | 1.57      | 1.60      |
| Greek 10 Year Yield       | 4.07      | 4.37      | 4.07      | 5.37      |
| Japan 10 Year Yield       | 0.11      | 0.11      | 0.05      | 0.04      |

| Currencies Exchange Rate | 14 Sep 18 | 31 Aug 18 | 31 Dec 17 | 14 Sep 17 |
|--------------------------|-----------|-----------|-----------|-----------|
|                          | GBP / USD | 1.31      | 1.30      | 1.35      |
| GBP / EURO               | 1.12      | 1.12      | 1.13      | 1.13      |
| GBP / YEN                | 146.45    | 143.95    | 152.26    | 148.25    |

| Commodities  | Price Level | Price Level | Price Level | Price Level |
|--------------|-------------|-------------|-------------|-------------|
|              | 14 Sep 18   | 31 Aug 18   | 31 Dec 17   | 14 Sep 17   |
| Oil - WTI \$ | 68.99       | 69.80       | 60.42       | 49.89       |
| Gold \$      | 1,193.50    | 1,201.40    | 1,303.05    | 1,329.69    |
| Wheat \$     | 480.00      | 518.50      | 427.00      | 428.25      |

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  |
|------------|--------|--------------------------------------|--------|--------|--------|
| 17/09/2018 | UK     | Rightmove House Prices MoM           | --     | 0.70%  | -2.30% |
| 17/09/2018 | US     | Empire Manufacturing                 | 23     | --     | 25.6   |
| 19/09/2018 | UK     | CPI MoM                              | 0.50%  | --     | 0.00%  |
| 19/09/2018 | US     | MBA Mortgage Applications            | --     | --     | -1.80% |
| 20/09/2018 | US     | Initial Jobless Claims               | 210k   | --     | 204k   |
| 20/09/2018 | US     | Existing Home Sales                  | 5.38m  | --     | 5.34m  |
| 21/09/2018 | JN     | Natl CPI YoY                         | 1.10%  | --     | 0.90%  |
| 21/09/2018 | JN     | Nikkei Japan PMI Mfg                 | --     | --     | 52.5   |
| 21/09/2018 | JN     | All Industry Activity Index MoM      | 0.10%  | --     | -0.80% |
| 21/09/2018 | FR     | GDP QoQ                              | 0.20%  | --     | 0.20%  |
| 21/09/2018 | FR     | Markit France Manufacturing PMI      | 53.3   | --     | 53.5   |
| 21/09/2018 | GE     | Markit/BME Germany Manufacturing PMI | 55.7   | --     | 55.9   |
| 21/09/2018 | UK     | Public Sector Net Borrowing          | 3.0b   | --     | -2.9b  |
| 21/09/2018 | US     | Markit US Manufacturing PMI          | 55     | --     | 54.7   |

Source: Bloomberg

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