

# Weekly Economic Update

17 October 2016



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 7,034, down 0.1%. The UK 10 year gilt yield moved from 0.98% to 1.12%.
- Governor of the Bank of England, Mark Carney, spoke on Friday about the current upward pressures on inflation in the UK. Carney stated a willingness to endure a period of higher inflation in order to encourage employment and to support economic growth. Carney also referred to the bank's independence, stating that their actions will not be influenced by political views.
- The 10 year gilt yield is now higher than it was just before the EU referendum having risen sharply over the last month. The weakness of sterling has boosted inflation expectations and markets expect a 'hard Brexit' from the EU following the rhetoric from involved parties in recent weeks.
- The Office for National Statistics (ONS) announced a fall of 1.5% in construction output in the UK in August, which was below expectations following a 0.5% rise in July. According to ONS, the fall was largely attributable to a 5.1% fall in output in infrastructure.

## GLOBAL

- Global equity markets were relatively unchanged as investors sold out of government bonds, leading to higher yields. The dollar strengthened during the week which weighed on equity markets in general.
- The US Commerce Department announced on Friday that retail sales rose by 0.6% in September. This was the largest rise in 3 months and was in line with forecasts, although the fact that retail sales rose across the retail market categories was a positive sign of a pickup in consumer demand. The data offers further support to the idea of an interest rate rise in the coming months. The dollar strengthened and Treasury yields climbed in response, with yields touching their highest level for 4 months. Chair of the Federal Reserve (Fed), Janet Yellen, spoke at a conference last week, asking for a more 'aggressive' approach from policymakers when responding to downturns in order to dampen their longer term effects. Minutes released from the Fed's September meeting showed that several members were close to calling for a rate rise.
- Exports from China fell by 5.6% in local currency terms in September, which is the first fall since February. The data was worse than expected given the weakening of the yuan against the dollar so far this year. Imports rose by 2.2% in September in yuan terms, significantly less than the 10.8% rise in August.
- German exports were up 5.4% in August. Industrial output in the eurozone as a whole increased by 1.6%. These figures will allay at least some of the concerns regarding the impact of Brexit on European growth.
- The Organisation of the Petroleum Exporting Countries produced a record high average of 33.6 million barrels per day during September.
- Stocks in Brazil rallied as a government-run oil company cut fuel prices. This also fuelled speculation that the central bank will cut interest rates this week as inflation levels, albeit high, appear to be falling.

Equity Markets	Index Level 14 Oct 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3819	1.0%	13.5%	14.5%
FTSE 100	7034	2.0%	16.5%	16.7%
FTSE 250	17987	0.1%	5.0%	9.3%
MSCI World	1690	3.7%	25.0%	32.4%
S&P 500	2147	4.2%	27.7%	37.9%
DAX	10594	5.1%	21.0%	30.2%
Nikkei 225	16856	6.0%	24.5%	36.4%
Hang Seng	23233	6.0%	32.5%	36.1%
MSCI World EM	891	4.4%	38.0%	35.9%

Bond Markets	Yield 14 Oct 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.40	-2.1%	11.6%	10.5%
FTA All Stock ILG Index	-1.75	-0.3%	27.4%	24.7%
FTA Over 5 Year ILG Index	-1.75	-0.4%	30.8%	27.7%
FTA Under 5 Year FIG Index	0.29	-0.3%	2.4%	2.2%
FTA Over 15 Year FIG Index	1.61	-3.6%	21.6%	19.7%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	14 Oct 16	30 Sep 16	31 Dec 15	14 Oct 15
UK 10 Year Gilt Yield	1.12	0.75	1.96	1.76
UK 15 Year Gilt Yield	1.48	1.16	2.29	2.12
US 10 Year Treasury Yield	1.76	1.59	2.27	1.97
German 10 Year Yield	0.06	-0.12	0.63	0.54
Spanish 10 Year Yield	1.12	0.88	1.77	1.80
Greek 10 Year Yield	8.33	8.19	8.07	7.80
Japan 10 Year Yield	-0.06	-0.09	0.27	0.31

Currencies Exchange Rate	14 Oct 16	30 Sep 16	31 Dec 15	14 Oct 15
	GBP / USD	1.22	1.30	1.47
GBP / EURO	1.11	1.16	1.36	1.35
GBP / YEN	127.21	131.56	177.09	184.20

Commodities	Price Level	Price Level	Price Level	Price Level
	14 Oct 16	30 Sep 16	31 Dec 15	14 Oct 15
Oil - WTI \$	50.45	48.24	37.04	46.64
Gold \$	1,254.73	1,315.75	1,061.42	1,184.13
Wheat \$	424.75	402.00	470.00	508.25

Source: Mobius Life, Bloomberg  
Please Note: Past performance is not a guide to future performance

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Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
17/10/2016	UK	Rightmove House Prices MoM	--	0.009	0.007
17/10/2016	JN	Industrial Production MoM	--	0.013	0.015
17/10/2016	US	Empire Manufacturing	1	--	-1.99
17/10/2016	US	Industrial Production MoM	0.002	--	-0.004
17/10/2016	CH	Money Supply M2 YoY	0.116	--	0.114
18/10/2016	UK	CPI YoY	0.009	--	0.006
18/10/2016	UK	CPI Core YoY	0.014	--	0.013
18/10/2016	UK	PPI Output NSA MoM	0.002	--	0.001
18/10/2016	US	CPI MoM	0.003	--	0.002
19/10/2016	CH	Industrial Production YoY	0.064	--	0.063
19/10/2016	CH	GDP YoY	0.067	--	0.067
19/10/2016	JN	All Industry Activity Index MoM	0.002	--	0.003
19/10/2016	UK	Claimant Count Rate	0.022	--	0.022
19/10/2016	UK	Jobless Claims Change	3.2k	--	2.4k
19/10/2016	UK	ILO Unemployment Rate 3Mths	0.049	--	0.049
19/10/2016	US	MBA Mortgage Applications	--	--	-0.06
19/10/2016	US	Housing Starts	1175k	--	1142k
19/10/2016	US	U.S. Federal Reserve Releases Beige Book			
20/10/2016	UK	Retail Sales Ex Auto Fuel MoM	0.002	--	-0.003
20/10/2016	US	Initial Jobless Claims	250k	--	246k
20/10/2016	US	Existing Home Sales	5.35m	--	5.33m
20/10/2016	US	Leading Index	0.002	--	-0.002

Source: Bloomberg

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