

# Weekly Economic Update

19 September 2016

FOR PROFESSIONAL ADVISERS ONLY



## UK

- The FTSE 100 closed the week at 6,710, down 1.0%. The UK 10 year gilt yield moved from 0.86% to 0.87%.
- The Bank of England's (BOE) Monetary Policy Committee met last week and voted by 9 votes to 0 to keep interest rates unchanged. Similarly, there was a unanimous vote to leave the quantitative easing programme unchanged. The forecast for economic growth in the third quarter of this year was revised upwards from 0.1% to 0.3%. Despite recent positive data releases, the BOE stated that their economic outlook remained unchanged following the Brexit vote and hinted towards a further interest rate cut later this year.
- UK retail sales beat expectations for August, falling 0.2% in the month versus forecasts of a 0.4% fall. The Office of National Statistics also confirmed that the unemployment rate remained unchanged at 4.9% in the 3 month period up to the end of July.

## GLOBAL

- Global equity markets were mixed, although European shares were pulled lower towards the end of the week as the Deutsche Bank share price fell by 8.5% following their refusal of a \$14 billion claim from the US Justice Department.
- The Federal Reserve (Fed) will meet this week to discuss monetary policy. Weak data releases last week led investors to price in a lower probability of any policy changes. Consumer retail spending fell by 0.3% in August, while industrial production fell by 0.4%. Despite some upward pressures on inflation, the consensus view is that the data has signalled additional weakness in the US economy.
- Data releases in China showed that industrial output and retail sales climbed in August, beating estimates. There was a 6.3% growth in industrial production for the year up to the end of August, which was ahead of the 6% July figure. Retail sales grew 10.6% in the year up to August, up from 10.2% to July.
- The International Energy Agency (IEA) revealed that they expect the oversupply of oil relative to demand to continue through the first half of 2017. Stockpiles of oil are at record levels, driven by record supply from OPEC (the Organisation of Petroleum Exporting Countries) members. These countries are planning to meet later this month to potentially discuss a freeze to oil output. Oil prices fell, with WTI closing the week at \$43.03.
- The Bank of Japan (BoJ) will meet this week to make a decision on monetary policy following the introduction of a negative interest rate. There is speculation that Haruhiko Kuroda, governor, will attempt to steepen the yield curve in order to help the banking system, potentially by a further cut in interest rates and by reducing purchases of longer-term bonds.
- Continuing the theme of other central banks over recent weeks, the Swiss National Bank left its key interest rate unchanged last week, at -0.75%.

Equity Markets	Index Level 16 Sep 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3671	-0.6%	9.8%	11.2%
FTSE 100	6710	-1.0%	11.0%	12.0%
FTSE 250	17852	0.9%	4.6%	7.5%
MSCI World	1696	-0.8%	17.3%	24.7%
S&P 500	2139	-0.9%	19.8%	29.8%
DAX	10276	-2.5%	11.0%	17.4%
Nikkei 225	16519	-0.8%	16.0%	27.0%
Hang Seng	23336	1.3%	22.7%	29.4%
MSCI World EM	885	-0.3%	28.4%	31.0%

Bond Markets	Yield 16 Sep 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.27	-3.0%	13.2%	13.3%
FTA All Stock ILG Index	-1.67	-2.8%	25.2%	21.2%
FTA Over 5 Year ILG Index	-1.67	-3.0%	28.4%	23.7%
FTA Under 5 Year FIG Index	0.19	-0.1%	2.7%	3.1%
FTA Over 15 Year FIG Index	1.47	-5.8%	24.6%	24.2%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	16 Sep 16	31 Aug 16	31 Dec 15	16 Sep 15
UK 10 Year Gilt Yield	0.87	0.64	1.96	1.94
UK 15 Year Gilt Yield	1.27	0.99	2.29	2.25
US 10 Year Treasury Yield	1.69	1.58	2.27	2.29
German 10 Year Yield	0.01	-0.07	0.63	0.77
Spanish 10 Year Yield	1.08	1.01	1.77	2.13
Greek 10 Year Yield	8.53	8.01	8.07	8.43
Japan 10 Year Yield	-0.05	-0.07	0.27	0.37

Currencies Exchange Rate	16 Sep 16	31 Aug 16	31 Dec 15	16 Sep 15
	GBP / USD	1.31	1.31	1.47
GBP / EURO	1.17	1.18	1.36	1.37
GBP / YEN	133.78	135.73	177.09	186.84

Commodities	Price Level	Price Level	Price Level	Price Level
	16 Sep 16	31 Aug 16	31 Dec 15	16 Sep 15
Oil - WTI \$	43.03	44.70	37.04	47.15
Gold \$	1,310.25	1,308.97	1,061.42	1,119.52
Wheat \$	403.25	361.00	470.00	488.25

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
19/09/2016	UK	Rightmove House Prices MoM	--	0.007	-0.012
20/09/2016	GE	PPI MoM	0	--	0.002
20/09/2016	US	Housing Starts	1190k	--	1211k
21/09/2016	JN	Trade Balance	¥195.5b	--	¥513.5b
21/09/2016	JN	Machine Tool Orders YoY	--	--	-0.084
21/09/2016	UK	Public Sector Net Borrowing	10.3b	--	-1.5b
21/09/2016	US	MBA Mortgage Applications	--	--	0.042
21/09/2016	US	FOMC Rate Decision (Upper Bound)	0.005	--	0.005
21/09/2016	JN	BOJ Monetary Policy Statement			
21/09/2016	JN	BOJ Policy Rate	-0.001	--	-0.001
22/09/2016	FR	Manufacturing Confidence	101	--	101
22/09/2016	US	Initial Jobless Claims	261k	--	260k
22/09/2016	US	Continuing Claims	2143k	--	2143k
22/09/2016	US	Existing Home Sales	5.45m	--	5.39m
22/09/2016	US	Leading Index	0	--	0.004
23/09/2016	JN	Nikkei Japan PMI Mfg	--	--	49.5
23/09/2016	JN	All Industry Activity Index MoM	0.002	--	0.01
23/09/2016	FR	GDP QoQ	0	--	0
23/09/2016	FR	Markit France Manufacturing PMI	48.5	--	48.3
23/09/2016	GE	Markit/BME Germany Manufacturing PMI	53.1	--	53.6
23/09/2016	US	Markit US Manufacturing PMI	52	--	52

Source: Bloomberg

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