

Weekly Economic Update

19 November 2018

FOR PROFESSIONAL ADVISERS ONLY



UK

- The FTSE 100 closed the week at 7,014, down 1.1%. The UK 10 year gilt yield moved from 1.49% to 1.41%.
- The UK and the EU finally came to a draft agreement on the terms for withdrawal from the EU, supported by prime minister Theresa May. However, the agreement's prospective approval by parliament was cast into doubt as Dominic Raab, the UK's chief Brexit negotiator, resigned due to the 'very real threat to the integrity of the United Kingdom' posed by the deal. In particular, Raab was against the backstop arrangement being put in place that will ultimately allow the EU to decide when the UK leaves the customs union.
- There were further resignations before the end of the week and Jacob Rees-Mogg, Conservative MP and head of the European Research Group, publicly submitted a letter of no confidence in Theresa May while asking others to consider doing the same. There have been further letters of no confidence submitted both publicly and privately, with at least 20 reported so far, and with 48 required for a vote of no confidence to be filed.
- The combination of resignations and letters of no confidence has raised the possibility of a challenge for leadership. It appears unlikely that the deal would gain sufficient support in parliament in its current form, with the vote currently scheduled for the middle of December. May has warned that it is too late to change the current plan for Brexit, and that rejecting current proposals would lead to the unwanted uncertainty of a 'no deal' scenario.
- Inflation in the UK, as measured by the consumer prices index, was unchanged at 2.4% in October. Expectations were of a small increase but according to the Office for National Statistics, falling food prices offset increases in petrol prices and the size of utility bills.

GLOBAL

- Following the request from the EU, Italy resubmitted its budget proposals for 2019. However, the growth and deficit figures that were rejected previously were left unchanged. Italy now run the risk of being fined by the EU, but Italian deputy prime minister Luigi Di Maio has claimed that they are 'working to avoid any [such] procedure'.
- Oil prices fell further last week, with Wednesday being the 12th consecutive day of falls in oil futures markets as increases in US oil inventories continued.
- In a quarter when natural disasters hit Japan, the economy shrank at an annualised rate of 1.2% in Q3. Exports were disrupted, falling 1.8% from the previous quarter.
- Germany's economy contracted in Q3 by 0.2%, the first time since the start of 2015 that the economy had shrunk. Car production in Germany during September was 24% lower than the same month last year.

Equity Markets	Index Level 16 Nov 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3843	-1.3%	-5.6%	-1.5%
FTSE 100	7014	-1.3%	-5.1%	-1.1%
FTSE 250	18589	-1.7%	-8.1%	-3.8%
MSCI World	2032	0.1%	4.2%	5.2%
MSCI World EM	986	2.7%	-7.9%	-7.3%

Bond Markets	Yield 16 Nov 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.74	-0.6%	-1.0%	0.3%
FTA All Stock ILG index	-1.56	-1.0%	-0.4%	1.2%
FTA Over 5 Year ILG index	-1.56	-1.1%	-0.5%	1.2%
FTA Under 5 Year FIG Index	0.82	0.1%	0.2%	0.4%
FTA Over 15 Year FIG Index	1.90	-1.6%	-2.7%	-0.2%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	16 Nov 18	31 Oct 18	31 Dec 17	16 Nov 17
UK 10 Year Gilt Yield	1.41	1.44	1.19	1.31
UK 15 Year Gilt Yield	1.63	1.61	1.51	1.64
US 10 Year Treasury Yield	3.06	3.14	2.41	2.38
German 10 Year Yield	0.37	0.39	0.43	0.38
Spanish 10 Year Yield	1.64	1.55	1.57	1.54
Greek 10 Year Yield	4.55	4.21	4.07	5.15
Japan 10 Year Yield	0.11	0.13	0.05	0.05

Currencies Exchange Rate	16 Nov 18	31 Oct 18	31 Dec 17	16 Nov 17
	GBP / USD	1.28	1.28	1.35
GBP / EURO	1.12	1.13	1.13	1.12
GBP / YEN	144.68	144.19	152.26	148.90

Commodities	Price Level	Price Level	Price Level	Price Level
	16 Nov 18	31 Oct 18	31 Dec 17	16 Nov 17
Oil - WTI \$	56.46	65.31	60.42	55.14
Gold \$	1,221.50	1,214.76	1,303.05	1,278.70
Wheat \$	506.75	500.50	427.00	421.50

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

Index Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group").
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Weekly Economic Update

Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
20/11/2018	US	Housing Starts	1225k	--	1201k
21/11/2018	JN	All Industry Activity Index MoM	-0.90%	--	0.50%
21/11/2018	UK	Public Sector Net Borrowing	5.6b	--	3.3b
21/11/2018	US	MBA Mortgage Applications	--	--	-3.20%
21/11/2018	US	Initial Jobless Claims	215k	--	216k
21/11/2018	US	Existing Home Sales	5.20m	--	5.15m
21/11/2018	US	U. of Mich. Sentiment	98.3	--	98.3
22/11/2018	FR	Manufacturing Confidence	103	--	104
23/11/2018	FR	Markit France Manufacturing PMI	51.2	--	51.2
23/11/2018	GE	Markit/BME Germany Manufacturing PMI	52.2	--	52.2
23/11/2018	US	Markit US Manufacturing PMI	55.8	--	55.7

Source: Bloomberg

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