

Weekly Economic Update

20 March 2017



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 7,425, up 1.3%. The UK 10 year gilt yield moved from 1.23% to 1.24%.
- The government's Brexit bill successfully passed through the Houses of Parliament after MPs rejected proposed amendments that were aimed at guaranteeing the rights of EU citizens in the UK. The acceptance of the bill has opened the door for Theresa May to trigger Article 50 by the end of March as planned.
- The Bank of England left the key interest rate at 0.25%. However, in contrast to the last 8 months, one of the members voted for an increase in rates. Kristin Forbes will be leaving the Monetary Policy Committee in June but it appears some of her sentiment may be shared across the team with suggestions that inflationary pressures are encouraging thoughts of policy tightening.
- Theresa May responded to the Scottish first minister's calls for a Scottish referendum with the words 'now is not the time'. Chancellor Philip Hammond reversed his plans to increase national insurance tax for the self-employed. The U-turn came after a backlash from those who noted that the party pledged not to raise these contributions in their 2015 manifesto.

GLOBAL

- Global equities climbed on the whole as central banks met to discuss their monetary policies.
- The Federal Reserve (Fed) increased base interest rates by 0.25% as expected, from 0.75% to 1%, which is the 3rd rate rise since the financial crisis in 2008. The Fed's policymakers voted 9 to 1 to raise rates with the chair, Janet Yellen, signalling 2 further hikes this year. The Fed reinforced its view that if employment and economic activity continued to improve, there would be a gradual path of rate increases.
- The People's Bank of China echoed the move made by the Fed by increasing borrowing costs just hours later. The cost of reverse repurchase agreements were increased by 0.10% with 7, 14 and 28-day agreements now offered at 2.45%, 2.60% and 2.75% respectively. The yuan strengthened following the move.
- The Bank of Japan left monetary policy unchanged despite action from other central banks, continuing their pursuit of higher inflation.
- The anti-establishment Freedom Party, led by Geert Wilder, failed to gain the highest number of votes in the Dutch general election. The party finished second by a clear distance to prime minister Mark Rutte's party who will now look to form a coalition government. Rutte has ruled out Wilder's Freedom Party from any coalition.
- After a meeting over the weekend, the G20 removed a pledge from their statements that opposes all forms of tariffs and protectionist policies. This is being taken as an indication that Donald Trump's administration has brought conflicting views to the negotiating table.

Equity Markets	Index Level 17 Mar 17	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4038	2.4%	5.2%	23.2%
FTSE 100	7425	2.5%	5.0%	24.6%
FTSE 250	19095	1.9%	6.0%	16.6%
MSCI World	1863	1.7%	6.5%	35.9%
S&P 500	2378	0.9%	6.3%	39.0%
DAX	12095	3.7%	6.9%	35.6%
Nikkei 225	19522	1.7%	5.3%	33.1%
Hang Seng	24310	2.7%	10.5%	43.7%
MSCI World EM	966	3.4%	11.8%	41.8%

Bond Markets	Yield 17 Mar 17	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.53	-0.7%	0.6%	5.9%
FTA All Stock ILG Index	-1.60	-2.5%	-1.3%	15.5%
FTA Over 5 Year ILG Index	-1.59	-2.7%	-1.5%	17.1%
FTA Under 5 Year FIG Index	0.22	0.0%	0.2%	1.5%
FTA Over 15 Year FIG Index	1.75	-1.3%	0.5%	10.5%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	17 Mar 17	28 Feb 17	31 Dec 16	17 Mar 16
UK 10 Year Gilt Yield	1.24	1.15	1.24	1.46
UK 15 Year Gilt Yield	1.61	1.50	1.63	1.99
US 10 Year Treasury Yield	2.50	2.39	2.44	1.90
German 10 Year Yield	0.44	0.21	0.21	0.23
Spanish 10 Year Yield	1.88	1.66	1.38	1.43
Greek 10 Year Yield	7.30	7.06	7.02	8.63
Japan 10 Year Yield	0.07	0.05	0.04	-0.05

Currencies Exchange Rate	17 Mar 17	31 Jan 17	31 Dec 16	17 Mar 16
	GBP / USD	1.24	1.24	1.23
GBP / EURO	1.15	1.17	1.17	1.28
GBP / YEN	139.62	139.00	144.01	161.18

Commodities	Price Level	Price Level	Price Level	Price Level
	17 Mar 17	31 Jan 17	31 Dec 16	17 Mar 16
Oil - WTI \$	48.78	54.01	53.72	40.20
Gold \$	1,229.29	1,248.33	1,152.27	1,257.94
Wheat \$	436.25	424.75	408.00	462.50

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
21/03/2017	UK	CPI YoY	2.10%	--	1.80%
21/03/2017	UK	PPI Output NSA MoM	0.30%	--	0.60%
21/03/2017	UK	Public Sector Net Borrowing	2.8b	--	-9.8b
21/03/2017	JN	Trade Balance	¥807.2b	--	-¥1086.9b
22/03/2017	JN	All Industry Activity Index MoM	0.00%	--	-0.30%
22/03/2017	US	MBA Mortgage Applications	--	--	3.10%
22/03/2017	US	Existing Home Sales	5.56m	--	5.69m
23/03/2017	FR	Manufacturing Confidence	107	--	107
23/03/2017	UK	Retail Sales Ex Auto Fuel MoM	0.30%	--	-0.20%
23/03/2017	US	Initial Jobless Claims	240k	--	241k
23/03/2017	US	New Home Sales	565k	--	555k
24/03/2017	JN	Nikkei Japan PMI Mfg	--	--	53.3
24/03/2017	FR	GDP QoQ	0.40%	--	0.40%
24/03/2017	FR	Markit France Manufacturing PMI	52.4	--	52.2
24/03/2017	GE	Markit/BME Germany Manufacturing PMI	56.5	--	56.8
24/03/2017	US	Durable Goods Orders	1.20%	--	2.00%
24/03/2017	US	Markit US Manufacturing PMI	54.7	--	54.2

Source: Bloomberg

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