

# Weekly Economic Update

21 March 2016



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 6,190, up 0.9%. The UK 10 year gilt yield moved from 1.58% to 1.45%.
- The Bank of England acknowledged the recent depreciation of pound sterling in the meeting of the monetary policy committee (MPC) last week. The base interest rate for the UK was left at 0.5% as fears over a 'Brexit' from the EU have driven the pound lower, which may put an upward pressure on inflation according to the committee. A statement from the MPC stated that uncertainty around the EU referendum may delay some investment but overall domestic activity is relatively unchanged since they met in February. The quantitative easing programme was also left unchanged at £375 billion.
- Chancellor of the Exchequer, George Osborne, lowered growth forecasts in his budget review. The main talking point of the budget was the decision to introduce a sugary drinks tax in 2 years' time. Tax cuts for smaller businesses were also announced. Before the budget, employment data was released showing a marginal increase in weekly earnings and an unemployment rate of 5.1% compared to 5.7% the previous year.

## GLOBAL

- Global equity markets rose on the whole last week, as equities continue to recover from severe losses in the early part of the year. As expected, interest rates remained unchanged in the US due to concerns over global growth.
- The Federal Reserve (Fed) decided not to raise interest rates, pointing towards impacts of weaker global growth and volatility in financial markets. The Fed left the target benchmark rate range between 0.25% and 0.50% and implied that there will be just two 0.25% rises in rates this year rather than four rises that were forecast in December. The 10 year Treasury yield fell following the announcement.
- The Bank of Japan (BoJ) held interest rates last week, maintaining the negative rate of -0.1% following January's reduction and opting against further stimulus measures. The BoJ downgraded its overall assessment of the economy in its statement with growth and inflation not in line with targets. The bank highlighted that risks will be monitored and additional easing measures will be undertaken if necessary. The yen appreciated after the decision.
- The Shanghai Composite Index broke through 3,000 this morning, for the first time since January. On Friday, China Securities Finance Corporation (the Chinese state-backed funding company) announced that it will begin to once again offer loans to securities firms for 7 to 182 day periods. This support for margin trading saw share prices for brokerages rally this morning as the move will lower costs for these companies as well as improving general market sentiment.
- Crude oil rose for the fourth successive week as the Organisation of the Petroleum Exporting Countries (OPEC) continued to discuss a freeze in oil production, with a meeting between oil producers arranged for 17th April.

Equity Markets	Index Level 18 Mar 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3401	2.0%	-0.3%	-5.8%
FTSE 100	6190	1.9%	0.2%	-7.3%
FTSE 250	16901	1.9%	-2.7%	0.0%
MSCI World	1646	2.3%	1.2%	-2.1%
S&P 500	2050	2.0%	2.5%	1.5%
DAX	9951	4.3%	-2.1%	-10.2%
Nikkei 225	16725	1.4%	-2.8%	-5.6%
Hang Seng	20672	4.6%	-3.7%	-9.7%
MSCI World EM	827	7.3%	6.2%	-9.6%

Bond Markets	Yield 18 Mar 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.91	-0.4%	4.6%	3.6%
FTA All Stock ILG Index	-1.01	1.6%	6.4%	4.0%
FTA Over 5 Year ILG Index	-1.00	1.8%	7.3%	4.4%
FTA Under 5 Year FIG Index	0.60	-0.3%	1.3%	1.8%
FTA Over 15 Year FIG Index	2.19	-0.2%	7.8%	5.1%

Interest Rates & Yields	Yield 18 Mar 16	Yield 29 Feb 16	Yield 31 Dec 15	Yield 18 Mar 15
UK 15 Year Gilt Yield	1.98	1.92	2.29	2.00
US 10 Year Treasury Yield	1.87	1.73	2.27	1.92
German 10 Year Yield	0.21	0.11	0.63	0.20
Spanish 10 Year Yield	1.43	1.53	1.77	1.27
Greek 10 Year Yield	8.46	10.07	8.07	11.07
Japan 10 Year Yield	-0.10	-0.07	0.27	0.37

Currencies Exchange Rate	18 Mar 16	29 Feb 16	31 Dec 15	18 Mar 15
GBP / EURO	1.29	1.28	1.36	1.38
GBP / YEN	161.67	157.12	177.09	178.18

Commodities	Price Level 18 Mar 16	Price Level 29 Feb 16	Price Level 31 Dec 15	Price Level 18 Mar 15
Gold	1255	1239	1061	1168
Wheat	463	445	470	511

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
21/03/2016	UK	Rightmove House Prices MoM	--	1.30%	2.90%
21/03/2016	US	Existing Home Sales	5.31m	--	5.47m
22/03/2016	JN	All Industry Activity Index MoM	1.90%	--	-0.90%
22/03/2016	FR	Markit France Composite PMI	49.6	--	49.3
22/03/2016	GE	Markit/BME Germany Composite PMI	54.1	--	54.1
22/03/2016	GE	IFO Business Climate	106	--	105.7
22/03/2016	UK	CPI MoM	0.40%	--	-0.80%
22/03/2016	GE	ZEW Survey Expectations	5.4	--	1
22/03/2016	US	Markit US Manufacturing PMI	51.9	--	51.3
23/03/2016	US	MBA Mortgage Applications	--	--	-3.30%
23/03/2016	US	New Home Sales	510k	--	494k
24/03/2016	UK	Retail Sales Ex Auto Fuel MoM	-1.00%	--	2.30%
24/03/2016	US	Initial Jobless Claims	268k	--	265k
24/03/2016	US	Durable Goods Orders	-3.00%	--	4.70%
24/03/2016	US	Markit US Composite PMI	--	--	50
24/03/2016	JN	Natl CPI YoY	0.30%	--	0.00%
25/03/2016	FR	Consumer Confidence	96	--	95
25/03/2016	FR	GDP QoQ	0.30%	--	0.30%

Source: Bloomberg

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