

# Weekly Economic Update

21 November 2016



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 6,776, up 0.7%. The UK 10 year gilt yield moved from 1.36% to 1.46%.
- The Office for National Statistics provided encouraging retail data for the UK, revealing that sales were up 1.9% in October, 7.4% higher than a year ago. The data was ahead of forecasts and is thought to have been driven by Halloween demand and the cold weather.

## GLOBAL

- Global equities edged upwards last week as investors anticipate improved economic growth following encouraging data releases and as markets continue to predict the effects of the US election result. Government bond yields continued to rise as investors reduced their demand for safe haven assets.
- Janet Yellen, chair of the Federal Reserve (Fed), spoke last week for the first time since the US election. Yellen spoke of improvements in the labour market and upward pressures on inflation, acknowledging that a rate rise could soon become the appropriate course of action. Donald Trump, president-elect, was critical of Yellen during his election campaign, claiming that 'political' decisions may have been taken when setting monetary policy. Markets are anticipating increases in economic growth to be helped by a Trump-driven fiscal policy and now markets are viewing a 0.25% rise in rates in December as almost a certainty. The S&P 500 returned to near record highs, Treasury yields continued to rise and the dollar strengthened following Yellen's comments.
- US retail data furthered the case for a December rate rise, with sales increasing 0.8% in October according to the Commerce Department. The September sales growth figure of 0.6% was also revised upwards to 1%.
- The Bank of Mexico raised their base interest rate by 0.5% to 5.25%, following the recent weakening of the currency. The peso has fallen following Trump's victory in the election and so the Bank of Mexico have responded quickly in order to counter inflation risks. The interest rate is now at its highest level since over 7 years ago.
- The Bank of Japan (BoJ) exhibited their 'yield curve control' policy last week. Responding to rising yields, the BoJ offered to buy an unlimited number of shorter date bonds, below market price, which in effect create a yield 'ceiling'. While no money was spent by the BoJ, the 10 year government bond yield fell back towards the 0% target.
- As another meeting of the Organisation of the Petroleum Exporting Countries (OPEC) approaches, discussions prior to the meeting have reassured investors that an agreement to freeze oil production can be reached. Russian president, Vladimir Putin, has spoken of a potential production limit with relative optimism. Iraq's oil minister Jabar Ali al-Luaibi will offer plans to OPEC, proposing how to improve relationships between members.

Equity Markets	Index Level 18 Nov 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3692	-1.7%	11.1%	11.3%
FTSE 100	6776	-2.2%	12.8%	12.4%
FTSE 250	17659	0.7%	3.9%	6.2%
MSCI World	1697	-0.4%	24.9%	27.1%
S&P 500	2182	1.9%	30.0%	32.0%
DAX	10665	-4.3%	15.7%	19.4%
Nikkei 225	17967	-3.2%	23.5%	25.7%
Hang Seng	22344	-3.4%	26.3%	28.9%
MSCI World EM	845	-7.5%	30.0%	30.0%

Bond Markets	Yield 18 Nov 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.75	-1.9%	7.4%	7.5%
FTA All Stock ILG Index	-1.52	-5.0%	20.7%	19.1%
FTA Over 5 Year ILG Index	-1.52	-5.4%	23.4%	21.5%
FTA Under 5 Year FIG Index	0.47	-0.1%	2.0%	2.0%
FTA Over 15 Year FIG Index	1.97	-3.6%	13.7%	13.6%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	18 Nov 16	31 Oct 16	31 Dec 15	18 Nov 15
UK 10 Year Gilt Yield	1.46	1.25	1.96	1.92
UK 15 Year Gilt Yield	1.82	1.61	2.29	2.27
US 10 Year Treasury Yield	2.35	1.83	2.27	2.27
German 10 Year Yield	0.27	0.16	0.63	0.51
Spanish 10 Year Yield	1.59	1.20	1.77	1.73
Greek 10 Year Yield	6.99	8.22	8.07	6.93
Japan 10 Year Yield	0.03	-0.05	0.27	0.30

Currencies Exchange Rate	18 Nov 16	31 Oct 16	31 Dec 15	18 Nov 15
	GBP / USD	1.23	1.22	1.47
GBP / EURO	1.17	1.12	1.36	1.43
GBP / YEN	136.69	128.38	177.09	187.89

Commodities	Price Level	Price Level	Price Level	Price Level
	18 Nov 16	31 Oct 16	31 Dec 15	18 Nov 15
Oil - WTI \$	45.69	46.86	37.04	40.75
Gold \$	1,207.93	1,277.30	1,061.42	1,070.70
Wheat \$	408.00	416.25	470.00	483.25

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
21/11/2016	JN	All Industry Activity Index MoM	0	0.002	0.002
22/11/2016	US	Existing Home Sales	5.43m	--	5.47m
23/11/2016	FR	Markit France Manufacturing PMI	51.5	--	51.8
23/11/2016	GE	Markit/BME Germany Manufacturing PMI	54.8	--	55
23/11/2016	US	MBA Mortgage Applications	--	--	-0.092
23/11/2016	US	Durable Goods Orders	0.012	--	-0.003
23/11/2016	US	Initial Jobless Claims	248k	--	235k
23/11/2016	US	Markit US Manufacturing PMI	53.4	--	53.4
23/11/2016	US	New Home Sales	590k	--	593k
23/11/2016	US	U. of Mich. Sentiment	91.6	--	91.6
24/11/2016	JN	Nikkei Japan PMI Mfg	--	--	51.4
24/11/2016	GE	GDP SA QoQ	0.002	--	0.002
24/11/2016	SP	GDP QoQ	0.007	--	0.007
24/11/2016	GE	IFO Business Climate	110.5	--	110.5
24/11/2016	GE	IFO Expectations	106	--	106.1
24/11/2016	JN	Natl CPI YoY	0	--	-0.005
25/11/2016	FR	Consumer Confidence	98	--	98
25/11/2016	UK	GDP QoQ	0.005	--	0.005
25/11/2016	IT	Retail Sales MoM	0.002	--	-0.001
25/11/2016	US	Wholesale Inventories MoM	0.002	--	0.001

Source: Bloomberg

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