

Weekly Economic Update

22 February 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 5,950, up 4.3% for the week, as oil prices surged and mining stocks recovered. The index fell on Thursday and Friday on risk aversion as oil's rally ended. The UK 10 year gilt yield started and ended the week at 1.41%, having reached a high of 1.48%.
- Prime Minister David Cameron reached an agreement with EU leaders on Friday after talks in Brussels. Cameron reinforced his intention to support Britain's stay in the EU and confirmed that the vote will take place on 23rd June. However, the Mayor of London Boris Johnson, amongst others, added to volatility in sterling markets stating that he will instead be campaigning for Britain's exit from the EU. The pound fell on the news, as investors show concerns that despite an initial deal being reached with EU members, there is a strong possibility that the UK will vote to leave the EU.

GLOBAL

- Global markets rallied through the week as the prospect of limited oil production in the middle east pushed the oil price upwards. Concerns returned at the end of the week as investors doubted that developments would be sufficient enough to solve oil's problem of oversupply.
- Germany's manufacturing growth fell to its lowest level since the end of 2014, with Markit's measure of PMI falling to 50.2, marginally above the 50 level between contraction and expansion. Despite Germany showing a continuation of growth of GDP in the 4th quarter, China's weakening demand is hurting Germany's exports. Poor earnings results in Europe prompted a fall in the equity index at the end of the week following a strong week.
- Minutes released from the Federal Reserve's January meeting showed that committee members acknowledged the uncertainty that has developed in markets. Members stated that the US is exposed to the 'broader effects' of the slowdown in China, making it difficult to forecast growth and inflation.
- The People's Bank of China released data last week showing that lending had risen to a record high in January, potentially raising concerns about financial risks. The central bank stated that some banks will be forced to increase their reserve ratio, with several banks no longer meeting the criteria to maintain their current reserve levels. Previously, banks with a certain proportion of their loans made to agricultural firms and small companies were allowed to hold a smaller reserve ratio.
- Russia and Saudi Arabia reached an agreement in the early part of last week to freeze oil production at the January level. There has been further support during the week from Qatar and Venezuela, who have stated that they will freeze output if other countries also do the same. Iran however have not yet committed to limiting production, having only recently restarted oil exporting following the lifting of sanctions. Oil prices initially rose on the back of the talks, before selling pressure re-emerged over doubts that the production cuts will dampen the oil supply significantly enough. News followed that US crude inventories had reached record highs, causing the oil price to fall on Friday.
- Brazil's continued struggles with their increasing budget deficit led to Standard & Poor's once again downgrading their credit rating. This time the rating moved further into the junk classification, from BB+ to BB, just 5 months after the last downgrade.

Equity Markets	Index Level 19 Feb 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3264	-1.8%	-4.8%	-8.8%
FTSE 100	5950	-1.7%	-4.2%	-10.3%
FTSE 250	16158	-1.9%	-7.1%	-2.7%
MSCI World	1538	-2.2%	-4.7%	-3.7%
S&P 500	1918	-1.8%	-3.3%	0.5%
DAX	9388	-2.5%	-7.9%	-10.2%
Nikkei 225	15967	-2.9%	-7.1%	-0.6%
Hang Seng	19286	-2.7%	-9.9%	-13.8%
MSCI World EM	741	-1.0%	-4.1%	-16.9%

Bond Markets	Yield 19 Feb 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.89	1.0%	4.6%	5.5%
FTA All Stock ILG Index	-0.89	-0.8%	3.9%	4.8%
FTA Over 5 Year ILG Index	-0.89	-0.9%	4.5%	5.3%
FTA Under 5 Year FIG Index	0.55	0.3%	1.4%	2.4%
FTA Over 15 Year FIG Index	2.19	1.3%	7.6%	8.1%

Interest Rates & Yields	Yield 19 Feb 16	Yield 30 Nov 15	Yield 31 Dec 14	Yield 19 Feb 15
UK 15 Year Gilt Yield	1.83	1.92	2.29	2.18
US 10 Year Treasury Yield	1.74	1.92	2.27	2.11
German 10 Year Yield	0.20	0.33	0.63	0.38
Spanish 10 Year Yield	1.71	1.51	1.77	1.55
Greek 10 Year Yield	10.40	9.35	8.07	9.78
Japan 10 Year Yield	0.01	0.10	0.27	0.39

Currencies Exchange Rate	19 Feb 16	30 Nov 15	31 Dec 14	19 Feb 15
GBP / EURO	1.29	1.31	1.36	1.36
GBP / YEN	161.41	172.03	177.09	183.54

Commodities	Price Level 19 Feb 16	Price Level 30 Nov 15	Price Level 31 Dec 14	Price Level 19 Feb 15
Gold	1226	1118	1061	1207
Wheat	462	479	470	528

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
22/02/2016	JN	Nikkei Japan PMI Mfg	52	50.2	52.3
22/02/2016	FR	Markit France Composite PMI	50.3	49.8	50.2
22/02/2016	GE	Markit/BME Germany Manufacturing PMI	51.9	50.2	52.3
22/02/2016	IT	CPI EU Harmonized YoY	0.40%	0.40%	0.40%
22/02/2016	US	Markit US Manufacturing PMI	52.5	--	52.4
23/02/2016	FR	Manufacturing Confidence	102	--	102
23/02/2016	GE	IFO Business Climate	106.8	--	107.3
23/02/2016	US	Consumer Confidence Index	97.3	--	98.1
23/02/2016	US	Existing Home Sales	5.34m	--	5.46m
24/02/2016	FR	Consumer Confidence	97	--	97
24/02/2016	US	MBA Mortgage Applications	--	--	8.20%
24/02/2016	US	Markit US Composite PMI	--	--	53.2
24/02/2016	US	New Home Sales	520k	--	544k
25/02/2016	IT	Business Confidence	102.7	--	103.2
25/02/2016	UK	GDP QoQ	0.50%	--	0.50%
25/02/2016	US	Initial Jobless Claims	270k	--	262k
25/02/2016	US	Durable Goods Orders	2.50%	--	-5.00%
25/02/2016	JN	Natl CPI YoY	0.00%	--	0.20%
26/02/2016	GE	CPI MoM	0.50%	--	-0.80%
26/02/2016	US	GDP Annualized QoQ	0.40%	--	0.70%
26/02/2016	US	U. of Mich. Sentiment	91	--	90.7

Source: Bloomberg

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