

Weekly Economic Update

22 May 2017



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 7,471, up 0.7%. The UK 10 year gilt yield ended the week unchanged at 1.09%.
- Unemployment in the UK fell to 4.6% in April which is the lowest level since 1975. Inflation as measured by the consumer price index (CPI) rose by 2.7% in the year to April, ahead of wage increases, meaning a fall in real wages for the first time in 3 years.
- Theresa May's Conservative Party released their manifesto on Thursday. There has been some criticism in relation to the lack of detailed figures in the manifesto in comparison to that of the Labour Party. Pensioners will now need to pay for care they are given in their own homes, including treatment for dementia which has seen the policy referred to as the 'dementia tax' by its critics. Labour's policies were released earlier and they propose significant changes including higher income tax for the rich to pay for health service funding, nationalising energy and transport, a 'Robin Hood' tax on financial transactions and the abolition of tuition fees.

GLOBAL

- Global equities were relatively flat on the whole but with increasing volatility driven by political events in the US.
- Donald Trump embarked on his first trip abroad in his role as president, visiting Saudi Arabia before Israel, Italy and Belgium. Tensions have been rising however back in Washington, with speculation that Trump shared sensitive and supposed highly classified information with Russian officials at the Oval Office last week. Robert Mueller, former director of the FBI, has been chosen by the US Department of Justice to investigate links between Russia and the Trump administration during the election campaign last year. This follows Trump's decision to fire James Comey from his role of director of the FBI earlier this month, with Comey's friend Mueller now tasked with continuing his work on the investigation. Adding to all of this, there were reports that Trump asked Comey, while Comey was director, to stop his investigations into the national security advisor, Michael Flynn. Trump responded by stating that he was the victim of the 'single greatest witch hunt in American history'. Uncertainty fed through to markets on Wednesday as global equities, the US dollar and bond yields all showed declines as it seemingly becomes more difficult for Trump to implement his growth policies.
- Volatility in markets as measured by VIX (Chicago Board Options Exchange Index) jumped as high as 15.5 before ending the week just shy of 12. The VIX had fallen to 9.7 the previous week which was the lowest for 24 years.
- The Japanese economy grew at an annualised rate of 2.2% in the first 3 months of 2017, meaning 5 successive quarters of economic growth. The growth figure was ahead of estimates and is further support to beliefs that Japan can reach its 2% inflation target under the current government.
- Emmanuel Macron, new French president, has appointed Les Republicans member Édouard Philippe as new prime minister. This will encourage support from right-wing voters ahead of the upcoming parliamentary elections.

| Equity Markets | Index Level 19 May 17 | Total Return (Sterling) | | |
|----------------|--------------------------|-------------------------|-------|--------|
| | | MtD | YtD | 1 Year |
| FTSE All Share | 4088 | 3.6% | 7.4% | 27.2% |
| FTSE 100 | 7471 | 4.2% | 6.6% | 28.3% |
| FTSE 250 | 19813 | 1.3% | 10.8% | 21.8% |
| MSCI World | 1895 | 0.6% | 3.8% | 34.0% |
| S&P 500 | 2382 | -0.5% | 1.7% | 33.8% |
| DAX | 12639 | 3.7% | 10.7% | 44.6% |
| Nikkei 225 | 19591 | 1.5% | 1.7% | 30.1% |
| Hang Seng | 25175 | 2.1% | 9.2% | 48.7% |
| MSCI World EM | 996 | 1.4% | 10.1% | 46.9% |

| Bond Markets | Yield 19 May 17 | Index % Change (Sterling) | | |
|----------------------------|--------------------|---------------------------|------|--------|
| | | MtD | YtD | 1 Year |
| FTA All Stock Gilt Index | 1.43 | 0.1% | 1.9% | 7.0% |
| FTA All Stock ILG Index | -1.74 | -0.7% | 3.6% | 23.6% |
| FTA Over 5 Year ILG Index | -1.74 | -0.8% | 3.9% | 26.3% |
| FTA Under 5 Year FIG Index | 0.20 | 0.0% | 0.3% | 1.4% |
| FTA Over 15 Year FIG Index | 1.64 | 0.2% | 3.0% | 12.9% |

| Interest Rates & Yields | Yield 19 May 17 | Yield 30 Apr 17 | Yield 31 Dec 16 | Yield 19 May 16 |
|---------------------------|-----------------------|--------------------|--------------------|--------------------|
| | UK 10 Year Gilt Yield | 1.09 | 1.09 | 1.24 |
| UK 15 Year Gilt Yield | 1.47 | 1.47 | 1.63 | 1.99 |
| US 10 Year Treasury Yield | 2.23 | 2.28 | 2.44 | 1.85 |
| German 10 Year Yield | 0.37 | 0.32 | 0.21 | 0.17 |
| Spanish 10 Year Yield | 1.58 | 1.65 | 1.38 | 1.59 |
| Greek 10 Year Yield | 5.62 | 6.25 | 7.02 | 7.40 |
| Japan 10 Year Yield | 0.04 | 0.02 | 0.04 | -0.08 |

| Currencies Exchange Rate | 19 May 17 | 30 Apr 17 | 31 Dec 16 | 19 May 16 |
|--------------------------|-----------|-----------|-----------|-----------|
| | GBP / USD | 1.30 | 1.30 | 1.23 |
| GBP / EURO | 1.16 | 1.19 | 1.17 | 1.30 |
| GBP / YEN | 145.13 | 144.28 | 144.01 | 160.50 |

| Commodities | Price Level 19 May 17 | Price Level 30 Apr 17 | Price Level 31 Dec 16 | Price Level 19 May 16 |
|-------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Oil - WTI \$ | 50.33 | 49.33 | 53.72 |
| Gold \$ | 1,255.91 | 1,268.29 | 1,152.27 | 1,254.70 |
| Wheat \$ | 435.25 | 418.50 | 408.00 | 468.75 |

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 |
|------------|--------|--------------------------------------|---------|---------|---------|
| 22/05/2017 | JN | Trade Balance | ¥520.7b | ¥481.7b | ¥614.7b |
| 23/05/2017 | JN | Nikkei Japan PMI Mfg | -- | -- | 52.7 |
| 23/05/2017 | GE | GDP SA QoQ | 0.60% | -- | 0.60% |
| 23/05/2017 | FR | Markit France Manufacturing PMI | 55.2 | -- | 55.1 |
| 23/05/2017 | GE | Markit/BME Germany Manufacturing PMI | 58 | -- | 58.2 |
| 23/05/2017 | GE | IFO Business Climate | 113.1 | -- | 112.9 |
| 23/05/2017 | GE | IFO Expectations | 105.4 | -- | 105.2 |
| 23/05/2017 | US | Markit US Manufacturing PMI | 53.1 | -- | 52.8 |
| 23/05/2017 | US | New Home Sales | 610k | -- | 621k |
| 24/05/2017 | US | MBA Mortgage Applications | -- | -- | -4.10% |
| 24/05/2017 | US | Existing Home Sales | 5.65m | -- | 5.71m |
| 25/05/2017 | SP | GDP QoQ | 0.80% | -- | 0.80% |
| 25/05/2017 | UK | GDP QoQ | 0.30% | -- | 0.30% |
| 25/05/2017 | US | Initial Jobless Claims | 238k | -- | 232k |
| 26/05/2017 | JN | Natl CPI YoY | 0.40% | -- | 0.20% |
| 26/05/2017 | IT | Consumer Confidence Index | 107.3 | -- | 107.5 |
| 26/05/2017 | US | GDP Annualized QoQ | 0.90% | -- | 0.70% |
| 26/05/2017 | US | GDP Price Index | 2.30% | -- | 2.30% |
| 26/05/2017 | US | Durable Goods Orders | -1.50% | -- | 0.90% |
| 26/05/2017 | US | U. of Mich. Sentiment | 97.5 | -- | 97.7 |

Source: Bloomberg

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