

Weekly Economic Update

22 August 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,859, down 0.7%. The UK 10 year gilt yield moved from 0.52% to 0.62%.
- UK employment data released last week showed that after the unemployment rate remained at 4.9% in the second quarter, there was a fall of 8,600 in the number of jobless claims in July. While the figure is known to be volatile, analysts were forecasting a rise in the number of claims following the Brexit vote.
- The consumer prices index (CPI) rose to 0.6% in July, from 0.5% in June. The Office for National Statistics confirmed the figure, which is the highest since November 2014. The price of imports has effectively risen for UK consumers given the weakening of sterling since the June vote. UK retail sales climbed 1.4% in July, as consumer spending appeared to show signs of resilience.
- The pound strengthened against the dollar last week from \$1.29 to \$1.31, although it showed some weakness at the end of the week when the budget surplus for July was revealed to be lower than many were expecting.

GLOBAL

- Global equity markets eased lower through the week as investors continued to monitor earnings data and central bank stances. The Federal Reserve (Fed) may raise rates this year despite showing high levels of caution. Oil prices rallied for the second successive week.
- Minutes released from the latest meeting of the Fed revealed a fairly dovish tone from members, who are on the whole waiting for more data before making the next rate hike decision. The cautious nature of the minutes were of contrast to comments made recently by regional Fed officials, who were signalling a stronger need for more immediate action. The dollar and Treasury yields moved downwards in response. Industrial production rose more than expected in July according to the Fed, rising 0.7% when a rise in the region of 0.3% was forecasted.
- Minutes released from the last meeting of the European Central Bank (ECB), showed that the ECB's focus was on 'new headwinds' arising from the UK's decision to leave the European Union. Similar to the Fed, the consensus was to wait for more data to see the true impact.
- Japan's gross domestic product increased by an annualised 0.2% in the second quarter, below estimates. The data comes not long after the government's announcement of expanded fiscal policy and maintains pressure on the Bank of Japan to take action to support growth. The yen continued to strengthen last week, flirting with the 100 mark against the dollar.
- Oil prices have continued to climb through August, entering bull market territory after being in a bear market early in the month. The ongoing speculation that next month's meeting between the Organisation of Petroleum Exporting Countries will lead to an agreement on freezing oil output has driven oil prices upwards, as has signs of weakness in the US dollar.

Equity Markets	Index Level 19 Aug 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3736	2.9%	11.6%	10.4%
FTSE 100	6859	2.8%	13.4%	11.6%
FTSE 250	17874	3.6%	4.4%	5.5%
MSCI World	1732	2.1%	19.7%	23.4%
S&P 500	2184	1.9%	22.3%	28.6%
DAX	10544	4.8%	15.6%	21.0%
Nikkei 225	16546	3.3%	18.8%	21.3%
Hang Seng	22937	6.4%	21.6%	23.5%
MSCI World EM	910	5.7%	31.9%	33.4%

Bond Markets	Yield 19 Aug 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.09	1.6%	15.5%	15.5%
FTA All Stock ILG Index	-1.66	5.9%	24.6%	19.6%
FTA Over 5 Year ILG Index	-1.66	6.4%	27.7%	21.8%
FTA Under 5 Year FIG Index	0.15	0.0%	2.8%	3.3%
FTA Over 15 Year FIG Index	1.27	3.5%	29.6%	28.4%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	19 Aug 16	31 Jul 16	31 Dec 15	19 Aug 15
UK 10 Year Gilt Yield	0.62	0.69	1.96	1.83
UK 15 Year Gilt Yield	1.09	1.21	2.29	2.24
US 10 Year Treasury Yield	1.58	1.45	2.27	2.13
German 10 Year Yield	-0.03	-0.12	0.63	0.62
Spanish 10 Year Yield	0.96	1.02	1.77	1.99
Greek 10 Year Yield	7.96	8.07	8.07	9.18
Japan 10 Year Yield	-0.09	-0.20	0.27	0.38

Currencies Exchange Rate	19 Aug 16	31 Jul 16	31 Dec 15	19 Aug 15
	GBP / USD	1.31	1.32	1.47
GBP / EURO	1.15	1.19	1.36	1.41
GBP / YEN	130.88	135.40	177.09	194.13

Commodities	Price Level	Price Level	Price Level	Price Level
	19 Aug 16	31 Jul 16	31 Dec 15	19 Aug 15
Oil - WTI	48.52	41.60	37.04	40.80
Gold	1,341.26	1,351.00	1,061.42	1,133.78
Wheat	427.00	407.75	470.00	496.25

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
22/08/2016	US	Chicago Fed Nat Activity Index	0.2	--	0.16
23/08/2016	JN	Nikkei Japan PMI Mfg	--	--	49.3
23/08/2016	FR	Markit France Manufacturing PMI	48.8	--	48.6
23/08/2016	GE	Markit/BME Germany Manufacturing PMI	53.6	--	53.8
23/08/2016	US	Markit US Manufacturing PMI	52.7	--	52.9
23/08/2016	US	New Home Sales	580k	--	592k
24/08/2016	GE	GDP SA QoQ	0.004	--	0.004
24/08/2016	US	MBA Mortgage Applications	--	--	-0.04
24/08/2016	US	Existing Home Sales	5.51m	--	5.57m
25/08/2016	FR	Manufacturing Confidence	103	--	103
25/08/2016	SP	GDP QoQ	0.007	--	0.007
25/08/2016	GE	Ifo Business Climate	108.5	--	108.3
25/08/2016	GE	Ifo Expectations	102.4	--	102.2
25/08/2016	US	Durable Goods Orders	0.035	--	-0.039
25/08/2016	US	Initial Jobless Claims	265k	--	262k
25/08/2016	US	Continuing Claims	2148k	--	2175k
26/08/2016	JN	Natl CPI YoY	-0.004	--	-0.004
26/08/2016	FR	Consumer Confidence	96	--	96
26/08/2016	FR	GDP QoQ	0	--	0
26/08/2016	SP	Retail Sales YoY	--	--	0.06
26/08/2016	UK	GDP QoQ	0.006	--	0.006
26/08/2016	UK	GDP YoY	0.022	--	0.022
26/08/2016	US	Wholesale Inventories MoM	--	--	0.003
26/08/2016	US	GDP Annualized QoQ	0.011	--	0.012
26/08/2016	US	U. of Mich. Sentiment	90.7	--	90.4

Source: Bloomberg

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