

Weekly Economic Update

22 October 2018

FOR PROFESSIONAL ADVISERS ONLY



UK

- The FTSE 100 closed the week at 7,050, up 0.8%. The UK 10 year gilt yield moved from 1.63% to 1.58%.
- UK prime minister, Theresa May, proposed the solution of extending the transition period for the UK leaving the EU. May will give a speech to the Commons today where she is expected to say that the agreement with the EU is '95% settled' but that she will not accept a customs border between Ireland and the UK. An estimated 700,000 people protested in London at the weekend calling for a second referendum, an option not being considered by the government. Speculation has been growing meanwhile in the media that a motion of no confidence in May could be on its way. After seemingly little progress being made in negotiations with the EU last week, a November meeting to take negotiations to the next stage has been postponed until December.

GLOBAL

- Economic growth in the Chinese economy fell to 6.5% in the third quarter of 2018, behind expectations, according to figures released on Friday. This was the lowest rate since 2009, and was driven by weaker growth in industrial output and consumption rather than exports that may have been expected given the trade tensions with the US. Chinese regulators quickly looked to boost sentiment following the announcement, promising measures to help the financing problems of businesses in order to support the economy.
- Minutes released from the most recent meeting of the Federal Reserve (Fed) showed a consensus view of sustained tighter monetary policy until the higher cost of borrowing slows down the US economy. However, some members of the committee signalled that they would be against such a policy if there are not 'clear signs of an overheating economy and rising inflation'. The minutes did not refer to remarks that have been made by US president Donald Trump, who continued to criticise the stance of the Fed in a television interview last week, blaming them for recent volatility in markets.
- The European Commission has described the planned 2019 budget of the Italian government as 'unprecedented' and a breach of EU rules. The EU has asked Italy for an official explanation and it is expected that the union will formally reject Italy's proposals this week, which would be the first time this power has been exercised since its introduction in 2013 following the Greek crisis. President of the European Central Bank, Mario Draghi, stated that it was in everyone's interest for EU budget rules to be followed and that 'there is no constructive alternative'.

Equity Markets	Index Level 19 Oct 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3868	-6.1%	-5.3%	-2.6%
FTSE 100	7050	-5.9%	-5.0%	-2.3%
FTSE 250	18796	-7.3%	-7.2%	-4.1%
MSCI World	2062	-5.7%	3.6%	4.7%
MSCI World EM	971	-7.4%	-11.1%	-10.0%

Bond Markets	Yield 19 Oct 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.76	-0.2%	-1.5%	-0.4%
FTA All Stock ILG index	-1.50	0.4%	-1.7%	-0.4%
FTA Over 5 Year ILG index	-1.50	0.5%	-1.9%	-0.4%
FTA Under 5 Year FIG Index	0.94	0.1%	-0.1%	-0.1%
FTA Over 15 Year FIG Index	1.90	-0.6%	-2.8%	-0.8%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	19 Oct 18	30 Sep 18	31 Dec 17	19 Oct 17
UK 10 Year Gilt Yield	1.58	1.57	1.19	1.28
UK 15 Year Gilt Yield	1.74	1.72	1.51	1.61
US 10 Year Treasury Yield	3.19	3.06	2.41	2.32
German 10 Year Yield	0.46	0.47	0.43	0.40
Spanish 10 Year Yield	1.74	1.50	1.57	1.64
Greek 10 Year Yield	4.33	4.15	4.07	5.51
Japan 10 Year Yield	0.15	0.13	0.05	0.07

Currencies Exchange Rate	19 Oct 18	30 Sep 18	31 Dec 17	19 Oct 17
	GBP / USD	1.31	1.30	1.35
GBP / EURO	1.13	1.12	1.13	1.11
GBP / YEN	146.96	148.02	152.26	148.15

Commodities	Price Level	Price Level	Price Level	Price Level
	19 Oct 18	30 Sep 18	31 Dec 17	19 Oct 17
Oil - WTI \$	69.12	73.25	60.42	51.29
Gold \$	1,226.90	1,192.50	1,303.05	1,290.10
Wheat \$	514.75	509.00	427.00	432.75

Source: Mobius Life, Bloomberg
Please Note: Past performance is not a guide to future performance

Index Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2018. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" is a trade mark(s) of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent.

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Weekly Economic Update

Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
22/10/2018	JN	All Industry Activity Index MoM	0.40%	0.50%	0.00%
24/10/2018	JN	Nikkei Japan PMI Mfg	--	--	52.5
24/10/2018	FR	Markit France Manufacturing PMI	52.4	--	52.5
24/10/2018	GE	Markit/BME Germany Manufacturing PMI	53.4	--	53.7
24/10/2018	US	MBA Mortgage Applications	--	--	-0.1
24/10/2018	US	Markit US Manufacturing PMI	55.5	--	55.6
24/10/2018	US	New Home Sales	625k	--	629k
24/10/2018	US	U.S. Federal Reserve Releases Beige Book			
25/10/2018	GE	IFO Business Climate	103.2	--	103.7
25/10/2018	US	Durable Goods Orders	-1.50%	--	4.40%
25/10/2018	US	Initial Jobless Claims	213k	--	210k
26/10/2018	US	GDP Annualized QoQ	3.40%	--	4.20%
26/10/2018	US	U. of Mich. Sentiment	99.0	--	99.0

Source: Bloomberg

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