

# Weekly Economic Update

23 January 2017



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 7,198, down 1.9%. The UK 10 year gilt yield move from 1.37% to 1.43%.
- Theresa May, prime minister, outlined the government's plans for Brexit in a speech last week. May confirmed that the UK must leave the single market in order to leave the EU. Further clarity was given around Parliament's role, with May acknowledging for the first time that Parliament would vote on the deal once it has been agreed. As expected, there was particular focus on controlling immigration into the UK and reaching a deal that provides freedoms to trade with other regions. To that end, May suggested that a bespoke EU customs union membership could be requested given that the UK would like to maintain tariff-free trading with the EU but with the freedom to pursue trade deals elsewhere. The pound strengthened after May's speech, as the currency welcomed some of the transparency offered on Brexit issues. The FTSE 100 weakened in response.
- The UK consumer prices index, CPI, rose 1.6% in the 12 months to December, up from the annual rate of 1.2% in November. The measure of inflation moved to its highest level in 2 and a half years, driven by weakness in the pound.

## GLOBAL

- Global equities ended the week relatively flat as the United States welcomed their new president.
- The inauguration of Donald Trump as the new President of the United States went ahead in Washington DC on Friday. Trump promised not to let the American people down, claiming that 20th January 2017 will be remembered as the day that 'the people became the rulers' of America. Trump reinforced former pledges of securing US borders, securing jobs for Americans and investing in infrastructure that is in 'disrepair and decay'. An estimated 2 million people, predominantly women, across the world protested against Trump's appointment. Half a million of these protestors were in Washington DC, some just a few blocks from the White House.
- President of China, Xi Jinping, spoke earlier in the week and alluded heavily to Trump's proposed policies by speaking out against the merits of protectionism. Xi referred to the approach as 'locking oneself in a dark room' where 'wind and rain may be kept outside, but so is light and air'. The growth of China's economy was confirmed to have been 6.7% for 2016 which is in line with Chinese expectations albeit the slowest rate since 1990.
- The European Central Bank (ECB) unsurprisingly left their key interest rate unchanged, following last month's decision to extend its quantitative easing programme. Mario Draghi, president of the ECB, suggested that interest rates will remain low for a sustained period of time and that core inflation is still 'subdued'.
- Chair of the Federal Reserve, Janet Yellen, stated once again that she expects 'a few' rate rises in 2017 but reiterated that the path of interest rate rises will be gradual.
- The Bank of Canada left interest rates unchanged last week while stating that new US policies could encourage policy easing.

Equity Markets	Index Level 20 Jan 17	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3903	0.8%	0.8%	29.8%
FTSE 100	7198	0.8%	0.8%	32.1%
FTSE 250	18151	0.5%	0.5%	19.4%
MSCI World	1783	1.9%	1.9%	41.1%
S&P 500	2271	1.6%	1.6%	43.5%
DAX	11630	2.6%	2.6%	39.1%
Nikkei 225	19138	1.7%	1.7%	35.9%
Hang Seng	22886	4.0%	4.0%	46.0%
MSCI World EM	893	3.7%	3.7%	52.4%

Bond Markets	Yield 20 Jan 17	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.73	-2.0%	-2.0%	5.0%
FTA All Stock ILG Index	-1.51	-2.7%	-2.7%	17.2%
FTA Over 5 Year ILG Index	-1.50	-2.9%	-2.9%	19.2%
FTA Under 5 Year FIG Index	0.41	-0.4%	-0.4%	1.4%
FTA Over 15 Year FIG Index	1.96	-3.6%	-3.6%	9.2%

Interest Rates & Yields	Yield 20 Jan 17	Yield 31 Dec 16	Yield 31 Dec 16	Yield 20 Jan 16
UK 15 Year Gilt Yield	1.80	1.63	1.63	2.01
US 10 Year Treasury Yield	2.47	2.44	2.44	1.98
German 10 Year Yield	0.42	0.21	0.21	0.48
Spanish 10 Year Yield	1.51	1.38	1.38	1.79
Greek 10 Year Yield	7.02	7.02	7.02	9.93
Japan 10 Year Yield	0.06	0.04	0.04	0.22

Currencies Exchange Rate	20 Jan 17	31 Dec 16	31 Dec 16	20 Jan 16
GBP / EURO	1.16	1.17	1.17	1.30
GBP / YEN	141.73	144.01	144.01	165.21

Commodities	Price Level 20 Jan 17	Price Level 31 Dec 16	Price Level 31 Dec 16	Price Level 20 Jan 16
Gold \$	1,210.57	1,152.27	1,152.27	1,100.93
Wheat \$	428.25	408.00	408.00	471.50

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
23/01/2017	JN	All Industry Activity Index MoM	0.4%	0.3%	0.2%
24/01/2017	JN	Nikkei Japan PMI Mfg	--	--	52.4
24/01/2017	FR	Markit France Manufacturing PMI	53.4	--	53.5
24/01/2017	GE	Markit/BME Germany Manufacturing PMI	55.4	--	55.6
24/01/2017	US	Markit US Manufacturing PMI	54.5	--	54.3
24/01/2017	US	Existing Home Sales	5.50m	--	5.61m
25/01/2017	GE	IFO Business Climate	111.3	--	111
25/01/2017	US	MBA Mortgage Applications	--	--	0.8%
26/01/2017	IT	Retail Sales MoM	0.0%	--	1.2%
26/01/2017	UK	GDP QoQ	0.5%	--	0.6%
26/01/2017	US	Wholesale Inventories MoM	0.3%	--	1.0%
26/01/2017	US	Initial Jobless Claims	247k	--	234k
26/01/2017	US	New Home Sales	586k	--	592k
26/01/2017	US	Leading Index	0.5%	--	0.0%
26/01/2017	JN	Natl CPI YoY	0.2%	--	0.5%
27/01/2017	SP	Retail Sales YoY	--	--	4.0%
27/01/2017	IT	Consumer Confidence Index	110	--	111.1
27/01/2017	US	GDP Annualized QoQ	2.2%	--	3.5%
27/01/2017	US	Durable Goods Orders	2.7%	--	-4.5%
27/01/2017	US	U. of Mich. Sentiment	98.1	--	98.1

Source: Bloomberg

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