

Weekly Economic Update

23 May 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,156, up 0.6%. The UK 10 year gilt yield moved from 1.37% to 1.45%.
- Gertjan Vlieghe, (external) member of the UK Monetary Policy Committee, suggested last week that a cut in interest rates could be viable even if the UK remain in the European Union. He stated that growth should improve following a vote to avoid 'Brexit' as consumers carry out spending that they are currently putting on hold.

GLOBAL

- With the exception of the UK, most equity markets ended moderately lower, as investors digested minutes released by the Federal Reserve (Fed). As market participants looked to take some risk out of their investments, the dollar eased upwards, with equity and commodity prices falling.
- Minutes from the Fed's April meeting were released last week. They showed further evidence that members of the committee are seeing conditions improving in the global economy as sentiment recovers. However, key concerns were around domestic spending, the UK's EU referendum in June and further developments in China. The message that investors took from the minutes was that there is a higher probability of a rate rise in June than was previously thought. Futures markets were pricing in a 26% chance of a June rate rise at the end of the week, up from 4% on Monday. Sales on existing homes in the US were higher than expected according to data released at the end of the week. Sales rose by 1.7% in April, driven by an increase in purchases in the Midwest region.
- Japan's GDP grew at an annualised rate of 1.7% in the first quarter of the year. The growth exceeded analyst expectations following a 1.1% contraction in the final quarter of last year, which has been revised to -1.7%. The additional day provided by the leap year is thought to have given a boost to the Q1 figure. Business spending fell by 1.4% from the end of 2015 through to March whereas private consumption was 0.5% higher.
- The International Monetary Fund (IMF) has asked the eurozone to allow Greece to defer payment on their loans until 2040 in order to allow Greece to rebuild. The IMF also wishes for interest rates on the loans to be fixed at 1.5%. Germany are opposed to the 'soft' terms and would like the IMF to treat bailout payments as a loan and to strengthen their stance towards Greece, rather than Germany paying and not receiving anything in return for the time being at least.
- Oil reached recent highs at the beginning of last week as fires in Canada's oil-sands region continued. However, oil slid for the remainder of the week as oil producers in Canada look to continue production following the fires.

Equity Markets	Index Level 20 May 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3387	-0.6%	0.1%	-7.6%
FTSE 100	6156	-0.9%	0.6%	-8.6%
FTSE 250	16922	1.0%	-1.8%	-4.1%
MSCI World	1640	-0.8%	1.4%	-0.1%
S&P 500	2052	0.3%	2.8%	5.7%
DAX	9916	-2.4%	-3.1%	-9.4%
Nikkei 225	16736	-1.0%	-2.0%	-2.6%
Hang Seng	19852	-4.5%	-7.1%	-20.0%
MSCI World EM	785	-5.7%	1.0%	-16.5%

Bond Markets	Yield 20 May 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.94	0.9%	4.6%	6.2%
FTA All Stock ILG Index	-0.87	0.7%	4.1%	2.5%
FTA Over 5 Year ILG Index	-0.86	0.8%	4.6%	2.8%
FTA Under 5 Year FIG Index	0.62	0.2%	1.4%	2.2%
FTA Over 15 Year FIG Index	2.21	1.5%	7.7%	9.6%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	20 May 16	30 Apr 16	31 Dec 15	20 May 15
UK 10 Year Gilt Yield	1.45	1.60	1.96	1.98
UK 15 Year Gilt Yield	2.01	2.09	2.29	2.36
US 10 Year Treasury Yield	1.84	1.83	2.27	2.25
German 10 Year Yield	0.17	0.27	0.63	0.63
Spanish 10 Year Yield	1.57	1.59	1.77	1.80
Greek 10 Year Yield	7.38	8.41	8.07	11.02
Japan 10 Year Yield	-0.11	-0.09	0.27	0.39

Currencies Exchange Rate	20 May 16	30 Apr 16	31 Dec 15	20 May 15
	GBP / USD	1.45	1.46	1.47
GBP / EURO	1.29	1.28	1.36	1.40
GBP / YEN	160.37	156.25	177.09	188.52

Commodities	Price Level	Price Level	Price Level	Price Level
	20 May 16	30 Apr 16	31 Dec 15	20 May 15
Oil - WTI	47.8	45.9	37.0	59.0
Gold	1252	1293	1061	1210
Wheat	468	478	470	513

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
23/05/2016	JN	Trade Balance	¥540.0b	¥823.5b	¥755.0b
23/05/2016	JN	Nikkei Japan PMI Mfg	--	47.6	48.2
23/05/2016	JN	All Industry Activity Index MoM	0.50%	0.10%	-1.20%
23/05/2016	FR	Markit France Composite PMI	50.4	51.1	50.2
23/05/2016	GE	Markit/BME Germany Composite PMI	53.9	54.7	53.6
24/05/2016	GE	GDP SA QoQ	0.70%	--	0.70%
24/05/2016	UK	Public Sector Net Borrowing	5.8b	--	4.2b
24/05/2016	GE	ZEW Survey Current Situation	49	--	47.7
24/05/2016	GE	ZEW Survey Expectations	12	--	11.2
24/05/2016	US	New Home Sales	521k	--	511k
25/05/2016	GE	IFO Business Climate	106.8	--	106.6
25/05/2016	US	MBA Mortgage Applications	--	--	-1.60%
25/05/2016	US	Markit US Composite PMI	--	--	52.4
26/05/2016	SP	GDP QoQ	0.80%	--	0.80%
26/05/2016	UK	GDP QoQ	0.40%	--	0.40%
26/05/2016	US	Initial Jobless Claims	275k	--	278k
26/05/2016	US	Durable Goods Orders	0.40%	--	0.80%
27/05/2016	JN	Natl CPI YoY	-0.40%	--	-0.10%
27/05/2016	JN	Tokyo CPI Ex-Fresh Food YoY	-0.40%	--	-0.30%
27/05/2016	FR	Consumer Confidence	94	--	94
27/05/2016	SP	Retail Sales YoY	--	--	4.30%
27/05/2016	IT	Consumer Confidence Index	114.5	--	114.2
27/05/2016	IT	Business Confidence	103	--	102.7
27/05/2016	US	GDP Annualized QoQ	0.90%	--	0.50%
27/05/2016	US	U. of Mich. Sentiment	95.5	--	95.8

Source: Bloomberg

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