

Weekly Economic Update

24 October 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 7,020, up 0.2%. The UK 10 year gilt yield moved from 1.12% to 1.09%.
- The UK's Consumer Price Index (CPI), was revealed at 1% for September by the Office for National Statistics. The annual measure was higher than August's reading of 0.6%, and is the highest level the index has been for almost 2 years. Analysts expect inflation to be driven by the weaker currency as import costs have risen.
- Unemployment in the UK held at 4.9% in the 3 months to the end of August.

GLOBAL

- Global equity markets ended the week relatively unchanged, as did government bond yields and the oil price, as investors took their time to digest third quarter company earnings.
- The European Central Bank (ECB) decided to make no monetary policy changes following their meeting last week. The current quantitative easing programme was not explicitly mentioned in the meeting according to the president, Mario Draghi, and it is still therefore due to expire in March 2017. However, Draghi did hint towards further measures in December, stating that the ECB will continue to use monetary policy tools as required.
- Vice chair of the Federal Reserve (Fed), Stanley Fischer, stated that the Fed is now close to its 2% inflation and full employment targets. Fischer warned that sustained low rates could hamper the economy's stability but also that the decision to raise rates was not simple given the ageing population and lower levels of investment and productivity.
- Earnings data is currently being released, with US companies being watched closely for further clues to the Fed's next move. While earnings have been relatively mixed, they do not appear to have altered the majority view that a December rate rise is on the horizon.
- China's economy grew at an annualised rate of 6.7% in the third quarter of the year, in line with their target for the year and in line with the last 2 quarters. Recent growth has been driven by increases in retail sales and investment whereas falls in industrial production have detracted from growth. Some analysts continue to be concerned about high debt levels across Chinese businesses. The government recently announced a new policy that allows investors to transfer their debt holdings of a company into equity, which has been met with scepticism.
- The Bank of Canada decided to leave interest rates unchanged, while lowering growth projections due to low levels of US business investment despite 'strong employment growth and robust consumer confidence'.
- With the US Presidential Election only 2 weeks away, latest polls are putting Hillary Clinton significantly ahead of her rival Donald Trump.

Equity Markets	Index Level 21 Oct 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3811	1.7%	14.3%	13.9%
FTSE 100	7020	1.9%	16.4%	15.2%
FTSE 250	17934	0.5%	5.4%	8.2%
MSCI World	1704	4.4%	25.8%	31.6%
S&P 500	2137	4.5%	28.0%	36.4%
DAX	10711	4.6%	20.4%	26.5%
Nikkei 225	17185	8.1%	26.9%	34.9%
Hang Seng	23374	6.1%	32.7%	33.0%
MSCI World EM	913	6.9%	41.3%	37.4%

Bond Markets	Yield 21 Oct 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.42	-2.4%	11.3%	10.5%
FTA All Stock ILG Index	-1.78	0.6%	28.5%	26.0%
FTA Over 5 Year ILG Index	-1.78	0.6%	32.0%	29.2%
FTA Under 5 Year FIG Index	0.34	-0.5%	2.3%	2.0%
FTA Over 15 Year FIG Index	1.62	-3.7%	21.3%	19.9%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	21 Oct 16	30 Sep 16	31 Dec 15	21 Oct 15
UK 10 Year Gilt Yield	1.09	0.75	1.96	1.80
UK 15 Year Gilt Yield	1.46	1.16	2.29	2.15
US 10 Year Treasury Yield	1.74	1.59	2.27	2.02
German 10 Year Yield	0.01	-0.12	0.63	0.57
Spanish 10 Year Yield	1.12	0.88	1.77	1.75
Greek 10 Year Yield	8.36	8.19	8.07	7.54
Japan 10 Year Yield	-0.06	-0.09	0.27	0.32

Currencies Exchange Rate	21 Oct 16	30 Sep 16	31 Dec 15	21 Oct 15
	GBP / USD	1.22	1.30	1.47
GBP / EURO	1.13	1.16	1.36	1.36
GBP / YEN	127.17	131.56	177.09	185.23

Commodities	Price Level	Price Level	Price Level	Price Level
	21 Oct 16	30 Sep 16	31 Dec 15	21 Oct 15
Oil - WTI \$	50.64	48.24	37.04	45.20
Gold \$	1,267.23	1,315.75	1,061.42	1,167.18
Wheat \$	414.25	402.00	470.00	494.75

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
24/10/2016	JN	Trade Balance	¥366.1b	¥498.3b	-¥18.7b
24/10/2016	JN	Nikkei Japan PMI Mfg	--	51.7	50.4
24/10/2016	FR	Markit France Manufacturing PMI	50	51.3	49.7
24/10/2016	GE	Markit/BME Germany Manufacturing PMI	54.4	55.1	54.3
24/10/2016	US	Markit US Manufacturing PMI	51.5	--	51.5
25/10/2016	GE	IFO Business Climate	109.6	--	109.5
25/10/2016	GE	IFO Expectations	104.5	--	104.5
25/10/2016	US	Consumer Confidence Index	101	--	104.1
26/10/2016	US	MBA Mortgage Applications	--	--	0.006
26/10/2016	US	Wholesale Inventories MoM	0.001	--	-0.002
26/10/2016	US	New Home Sales	600k	--	609k
27/10/2016	IT	Consumer Confidence Index	108.6	--	108.7
27/10/2016	UK	GDP QoQ	0.003	--	0.007
27/10/2016	US	Durable Goods Orders	0.001	--	0.001
27/10/2016	US	Initial Jobless Claims	255k	--	260k
28/10/2016	JN	Jobless Rate	0.031	--	0.031
28/10/2016	JN	Job-To-Applicant Ratio	1.37	--	1.37
28/10/2016	JN	Natl CPI YoY	-0.005	--	-0.005
28/10/2016	FR	GDP QoQ	0.003	--	-0.001
28/10/2016	GE	CPI YoY	0.008	--	0.007
28/10/2016	US	GDP Annualized QoQ	0.025	--	0.014
28/10/2016	US	U. of Mich. Sentiment	88.2	--	87.9
28/10/2016	UK	Nationwide House PX MoM	0.002	--	0.003

Source: Bloomberg

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