

# Weekly Economic Update

25 July 2016



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 6,730, up 0.9%. The UK 10 year gilt yield moved from 0.83% to 0.80%.
- Data released by the Office for National Statistics showed that the number of unemployed in the UK fell by 54,000 in the 3 months to May, meaning that the unemployment rate fell to 4.9%. This is the lowest figure since 2005, but does not include the effects of the vote to leave the European Union. It is expected that uncertainty will lead firms to reduce hiring and thus the unemployment rate may begin to rise.
- The new chancellor, Philip Hammond, hinted towards an easing of his predecessor's fiscal policy in order to support the UK economy, suggesting increased borrowing and an increased budget deficit. Flash Purchasing Managers' Index data released by Markit on Friday showed a composite reading of 47.7 for July, down from 52.4 in June. This is the lowest PMI figure since April 2009, and represents a contraction in both manufacturing and services. The pound fell once the data was released, with equity markets rallying with speculation of easier monetary policy.

## GLOBAL

- Monetary policy was once again the focus of investors last week as central banks make policy decisions. Earnings data in the US was relatively strong, but was more mixed in Europe.
- Mario Draghi, president of the European Central Bank (ECB), confirmed last week that monetary policy had been left unchanged. Draghi stressed that further easing measures can and will be taken if warranted, but the ECB will first wait to get a better idea of the economic implications of the UK's decision to leave the European Union. Further risks touched upon were slow inflation and a potential predicament for Italian banks due to non-performing loans. European stocks remained relatively unchanged at the end of the week on the whole as the strength of data releases varied.
- The International Monetary Fund (IMF) decided to lower its forecast for global growth this year from 3.2% to 3.1%, which is equal to the growth realised in 2015. The forecast for growth in 2017 was also lowered from 3.5% to 3.4%. The decision to amend forecasts was driven by the Brexit vote, and the IMF stated that the worst-case growth was 2.8%, depending on how investment is affected. GDP growth in the UK will fall to 1.3% in 2017 according to the IMF's latest estimates, 0.9% lower than the previous forecast.
- The S&P 500 continued to set new record highs as earnings data was released. The earnings data met or exceeded estimates on the whole, signalling a firmer US economy. The Federal Reserve will meet this week, and while it is likely that there will be no change in the interest rate for the time being, their outlook on the state of the economy is expected to be improved. The dollar has strengthened as investors see an improved chance of a rate rise this year.
- The Bank of Japan will meet this week to discuss monetary policy, after deciding in both March and June to leave things unchanged.

Equity Markets	Index Level 22 Jul 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3644	3.7%	8.1%	3.9%
FTSE 100	6730	3.5%	10.3%	5.0%
FTSE 250	16983	4.5%	-1.0%	-1.1%
MSCI World	1707	4.6%	17.3%	18.0%
S&P 500	2175	5.0%	21.1%	25.1%
DAX	10147	5.1%	7.4%	5.4%
Nikkei 225	16627	5.0%	12.2%	12.2%
Hang Seng	21964	7.0%	15.8%	7.5%
MSCI World EM	869	5.8%	25.3%	14.3%

Bond Markets	Yield 22 Jul 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.35	0.0%	11.5%	13.7%
FTA All Stock ILG Index	-1.34	-0.5%	15.5%	14.2%
FTA Over 5 Year ILG Index	-1.33	-0.6%	17.7%	16.1%
FTA Under 5 Year FIG Index	0.21	0.0%	2.5%	3.4%
FTA Over 15 Year FIG Index	1.58	0.7%	21.8%	25.3%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	22 Jul 16	30 Jun 16	31 Dec 15	22 Jul 15
UK 10 Year Gilt Yield	0.80	0.87	1.96	2.03
UK 15 Year Gilt Yield	1.37	1.40	2.29	2.44
US 10 Year Treasury Yield	1.57	1.47	2.27	2.32
German 10 Year Yield	-0.03	-0.13	0.63	0.75
Spanish 10 Year Yield	1.11	1.16	1.77	1.99
Greek 10 Year Yield	7.91	8.18	8.07	11.69
Japan 10 Year Yield	-0.23	-0.23	0.27	0.42

Currencies Exchange Rate	22 Jul 16	30 Jun 16	31 Dec 15	22 Jul 15
	GBP / USD	1.31	1.33	1.47
GBP / EURO	1.20	1.20	1.36	1.43
GBP / YEN	139.19	136.92	177.09	193.48

Commodities	Price Level	Price Level	Price Level	Price Level
	22 Jul 16	30 Jun 16	31 Dec 15	22 Jul 15
Oil - WTI	44.19	48.33	37.04	49.19
Gold	1,322.45	1,322.20	1,061.42	1,094.27
Wheat	425.25	431.25	470.00	516.75

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
25/07/2016	JN	Trade Balance	¥474.4b	¥692.8b	-¥40.7b
25/07/2016	GE	IFO Business Climate	107.5	108.3	108.7
25/07/2016	GE	IFO Expectations	101.6	102.2	103.1
26/07/2016	US	Markit US Composite PMI	--	--	51.2
26/07/2016	US	Consumer Confidence Index	95.5	--	98
26/07/2016	US	New Home Sales	560k	--	551k
27/07/2016	FR	Consumer Confidence	96	--	97
27/07/2016	UK	GDP YoY	0.021	--	0.02
27/07/2016	US	MBA Mortgage Applications	--	--	-0.013
27/07/2016	US	Durable Goods Orders	-0.011	--	-0.023
27/07/2016	US	FOMC Rate Decision (Upper Bound)	0.005	--	0.005
28/07/2016	UK	Nationwide House PX MoM	0	--	0.002
28/07/2016	GE	Unemployment Change (000's)	-4k	--	-6k
28/07/2016	GE	CPI YoY	0.003	--	0.003
28/07/2016	US	Initial Jobless Claims	263k	--	253k
29/07/2016	JN	Jobless Rate	0.032	--	0.032
29/07/2016	JN	Industrial Production MoM	0.005	--	-0.026
29/07/2016	FR	GDP QoQ	0.002	--	0.006
29/07/2016	FR	CPI YoY	0.003	--	0.002
29/07/2016	SP	CPI EU Harmonised YoY	-0.008	--	-0.009
29/07/2016	SP	CPI YoY	-0.005	--	-0.008
29/07/2016	UK	Mortgage Approvals	65.8k	--	67.0k
29/07/2016	IT	CPI EU Harmonized YoY	-0.002	--	-0.002
29/07/2016	US	GDP Annualized QoQ	0.026	--	0.011
29/07/2016	US	Chicago Purchasing Manager	54	--	56.8
29/07/2016	US	U. of Mich. Sentiment	90	--	89.5
29/07/2016	JN	BOJ Annual Rise in Monetary Base	¥80t	--	¥80t
29/07/2016	JN	BOJ Monetary Policy Statement			
29/07/2016	JN	BOJ Basic Balance Rate	--	--	0.001
29/07/2016	JN	BOJ Policy Rate	-0.0015	--	-0.001

Source: Bloomberg

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