

# Weekly Economic Update

26 March 2018



FOR PROFESSIONAL ADVISERS ONLY

## UK

- The FTSE 100 closed the week at 6,922, down 3.3%. The UK 10 year gilt yield moved from 1.43% to 1.45%.
- Inflation as measured by the consumer price index fell to 2.7% in February, down from 3% in January. Spectators inferred from this that the Brexit effects of weaker sterling on import costs are now fading. The Office for National Statistics reported that the largest contributors to the fall in inflation were transport and food prices.
- The Bank of England's (BoE) Monetary Policy Committee voted to maintain interest rates at 0.5% last week as expected. However, members Ian McCafferty and Michael Saunders voted for a 0.25% rate rise, signalling to markets that a rate rise could be on its way. There are expectations of a rate rise in the May meeting, while the BoE's continued commitment to gradual and limited rate rises makes their approach to the rest of the year less clear.
- The UK and the EU have reached a provisional transitional agreement, detailing the terms of the 21 month period ending in December 2020. The UK will keep the single market and customs union benefits during the period but will lose decision making rights. Prime minister Theresa May was criticised by people inside and outside of the Conservative party for failing to achieve some of her demands. This included her wish to impose different terms on EU persons moving to the UK during the period versus those already in the UK.

## GLOBAL

- Global equities fell sharply last week as fears of escalating trade wars intensified.
- The Federal Reserve (Fed) raised interest rates on Wednesday by 0.25%, to a range of 1.5% to 0.75%. The announcement was made by the new chairman, Jerome Powell, who highlighted a strengthening jobs market and economic outlook. Powell did speak about tax cuts that have been implemented by president Donald Trump's government, stating that the Fed is unsure of the size of the impact they will have on future growth.
- The People's Bank of China raised the rate on short term repurchase agreements by 0.05% after the Fed's decision to raise rates. While this somewhat stabilises the interest rate differential between the US and China, it may be viewed as a symbolic move by new governor Yi Gang to show a continued focus on tightening of policy under his guidance.
- The Trump administration announced temporary exemptions from steel and aluminium tariffs for the EU and some other regions. However, these reprieves did not include China, who responded on Friday stating that it planned to increase tariffs on \$3 billion of US imports.

Equity Markets	Index Level 23 Mar 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3830	-3.5%	-8.5%	-0.6%
FTSE 100	6922	-4.0%	-9.0%	-1.9%
FTSE 250	19319	-1.6%	-6.4%	4.4%
MSCI World	2037	-6.2%	-7.0%	0.0%
S&P 500	2588	-7.0%	-7.1%	-0.5%
DAX	11886	-5.7%	-9.6%	0.1%
Nikkei 225	20618	-7.5%	-7.2%	1.0%
Hang Seng	30309	-4.4%	-3.3%	13.2%
MSCI World EM	1172	-4.4%	-3.0%	9.9%

Bond Markets	Yield 23 Mar 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.59	1.4%	-0.4%	0.7%
FTA All Stock ILG index	-1.59	1.3%	-1.0%	1.1%
FTA Over 5 Year ILG index	-1.58	1.5%	-1.0%	1.3%
FTA Under 5 Year FIG Index	0.94	-0.1%	-0.7%	-1.1%
FTA Over 15 Year FIG Index	1.68	3.0%	0.5%	2.9%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	23 Mar 18	28 Feb 17	31 Dec 17	23 Mar 17
UK 10 Year Gilt Yield	1.45	1.50	1.19	1.23
UK 15 Year Gilt Yield	1.66	1.75	1.51	1.59
US 10 Year Treasury Yield	2.81	2.86	2.41	2.42
German 10 Year Yield	0.53	0.66	0.43	0.43
Spanish 10 Year Yield	1.27	1.54	1.57	1.73
Greek 10 Year Yield	4.36	4.38	4.07	7.29
Japan 10 Year Yield	0.02	0.05	0.05	0.06

Currencies Exchange Rate	23 Mar 18	28 Feb 17	31 Dec 17	23 Mar 17
	GBP / USD	1.42	1.38	1.35
GBP / EURO	1.14	1.13	1.13	1.16
GBP / YEN	148.64	147.14	152.26	138.98

Commodities	Price Level	Price Level	Price Level	Price Level
	23 Mar 18	28 Feb 17	31 Dec 17	23 Mar 17
Oil - WTI \$	65.88	61.64	60.42	47.70
Gold \$	1,347.25	1,318.38	1,303.05	1,245.30
Wheat \$	460.25	484.50	427.00	421.00

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
26/03/2018	FR	GDP QoQ	0.60%	0.70%	0.60%
27/03/2018	SP	CPI YoY	1.40%	--	1.10%
28/03/2018	FR	Consumer Confidence	100	--	100
28/03/2018	US	MBA Mortgage Applications	--	--	-1.10%
28/03/2018	US	GDP Annualized QoQ	2.70%	--	2.50%
28/03/2018	UK	Nationwide House PX MoM	0.20%	--	-0.30%
29/03/2018	GE	Unemployment Change (000's)	-15k	--	-22k
29/03/2018	UK	Mortgage Approvals	66.0k	--	67.5k
29/03/2018	UK	GDP QoQ	0.40%	--	0.40%
29/03/2018	GE	CPI YoY	1.70%	--	1.40%
29/03/2018	US	Personal Income	0.40%	--	0.40%
29/03/2018	US	Initial Jobless Claims	230k	--	229k
30/03/2018	JN	Jobless Rate	2.60%	--	2.40%
30/03/2018	JN	Industrial Production MoM	5.00%	--	-6.80%
30/03/2018	FR	CPI YoY	1.40%	--	1.20%
30/03/2018	IT	CPI EU Harmonized YoY	0.80%	--	0.50%

Source: Bloomberg

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