

Weekly Economic Update

26 September 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,909, up 3.0%. The UK 10 year gilt yield moved from 0.87% to 0.73%.
- Jeremy Corbyn, leader of the Labour Party, eased to a win against Owen Smith to retain control of the party. Corbyn received 62% of the votes from party members, a higher percentage than he received when elected last year despite much reported discontent with his leadership.
- The Organisation for Economic Co-operation and Development (OECD) released an update of their growth forecasts following the Brexit vote, stating that the initial impact had been softer than expected. The OECD lifted the UK growth forecast for 2016 from 1.7% to 1.8%, but lowered the forecast for 2017 from 2% to 1%, expecting the longer term uncertainty around Brexit to dampen growth next year by more than previously expected.

GLOBAL

- Global equity markets had a strong week as investors reacted well to monetary policy announcements in Japan and the US. Oil prices climbed following talks between Saudi Arabia and Iran before reversing some of the gains on Friday.
- The Federal Reserve (Fed) decided to leave interest rates unchanged last week. The Fed acknowledged that the case for a rate rise had strengthened since the last meeting, but decided to wait for further evidence of progress in the economy. However, the Fed are still forecasting a rate rise this year, which is likely to be in December given that the meeting in November falls next to the presidential election. 3 officials voted in favour of a rate rise, the highest number to disagree with the final decision in almost 2 years. The committee is now projecting just 2 rate rises in 2017, down from 3 in June's forecasts. There was also a slight downward revision in economic growth predictions.
- The Bank of Japan (BoJ) also made their announcement on Wednesday. While deciding to leave interest rates and asset purchases unchanged, the BoJ introduced a target of 0% for the yield on 10 year government bonds. Some had expected a cut in interest rates further into negative territory, although the last cut had led to a strengthening in the yen. The new policy, cited as 'yield curve control' will look to steepen the yield curve in order to help banks, that typically borrow at shorter term yields than they lend.
- The OECD announced global GDP growth forecasts of 2.9% for 2016 and 3.2% for 2017. The figures show weakness in growth continuing into next year. According to the OECD, this is driven by slow global trade despite an improvement in emerging market economies.
- Oil prices rallied through the week over speculation that the Organisation of the Petroleum Exporting Countries (OPEC) can reach an agreement this week on a freeze in oil production. It has been reported that Saudi Arabia have offered to cut production if Iran are willing to maintain their current levels. However, scepticism dragged the oil price down on Friday following releases of contrasting reports.

Equity Markets	Index Level 23 Sep 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3762	1.9%	12.6%	17.5%
FTSE 100	6909	1.9%	14.3%	19.1%
FTSE 250	17923	1.4%	5.1%	10.6%
MSCI World	1730	2.0%	20.6%	30.9%
S&P 500	2165	1.1%	22.3%	34.3%
DAX	10627	2.3%	16.4%	30.8%
Nikkei 225	16754	2.8%	20.2%	32.2%
Hang Seng	23686	4.9%	27.1%	35.8%
MSCI World EM	918	4.2%	34.2%	40.1%

Bond Markets	Yield 23 Sep 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.16	-1.7%	14.7%	13.7%
FTA All Stock ILG Index	-1.73	-1.6%	26.7%	23.1%
FTA Over 5 Year ILG Index	-1.72	-1.7%	30.2%	25.8%
FTA Under 5 Year FIG Index	0.14	0.0%	2.8%	2.9%
FTA Over 15 Year FIG Index	1.35	-3.5%	27.6%	25.2%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	23 Sep 16	31 Aug 16	31 Dec 15	23 Sep 15
UK 10 Year Gilt Yield	0.73	0.64	1.96	1.80
UK 15 Year Gilt Yield	1.12	0.99	2.29	2.14
US 10 Year Treasury Yield	1.62	1.58	2.27	2.15
German 10 Year Yield	-0.08	-0.07	0.63	0.60
Spanish 10 Year Yield	0.97	1.01	1.77	1.97
Greek 10 Year Yield	8.31	8.01	8.07	8.11
Japan 10 Year Yield	-0.06	-0.07	0.27	0.34

Currencies Exchange Rate	23 Sep 16	31 Aug 16	31 Dec 15	23 Sep 15
	GBP / USD	1.30	1.31	1.47
GBP / EURO	1.15	1.18	1.36	1.37
GBP / YEN	130.97	135.73	177.09	183.46

Commodities	Price Level	Price Level	Price Level	Price Level
	23 Sep 16	31 Aug 16	31 Dec 15	23 Sep 15
Oil - WTI \$	44.48	44.70	37.04	44.48
Gold \$	1,337.65	1,308.97	1,061.42	1,130.32
Wheat \$	404.75	361.00	470.00	507.50

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
26/09/2016	GE	IFO Business Climate	106.3	109.5	106.2
26/09/2016	IT	Retail Sales MoM	0	-0.003	0.002
26/09/2016	US	New Home Sales	600k	--	654k
27/09/2016	US	Consumer Confidence Index	98.8	--	101.1
28/09/2016	FR	Consumer Confidence	97	--	97
28/09/2016	IT	Consumer Confidence Index	109	--	109.2
28/09/2016	US	MBA Mortgage Applications	--	--	-0.073
28/09/2016	US	Durable Goods Orders	-0.015	--	0.044
29/09/2016	SP	CPI YoY	0.002	--	-0.001
29/09/2016	GE	Unemployment Change (000's)	-5k	--	-7k
29/09/2016	UK	Mortgage Approvals	60.2k	--	60.9k
29/09/2016	GE	CPI YoY	0.006	--	0.004
29/09/2016	US	Wholesale Inventories MoM	0	--	0
29/09/2016	US	GDP Annualized QoQ	0.013	--	0.011
29/09/2016	US	Initial Jobless Claims	260k	--	252k
30/09/2016	JN	Jobless Rate	0.03	--	0.03
30/09/2016	JN	Job-To-Applicant Ratio	1.37	--	1.37
30/09/2016	JN	Natl CPI YoY	-0.005	--	-0.004
30/09/2016	JN	Industrial Production MoM	0.005	--	-0.004
30/09/2016	CH	Caixin China PMI Mfg	50.1	--	50
30/09/2016	UK	Nationwide House PX MoM	0.003	--	0.006
30/09/2016	FR	CPI YoY	0.004	--	0.002
30/09/2016	UK	GDP QoQ	0.006	--	0.006
30/09/2016	IT	CPI EU Harmonized YoY	0.001	--	-0.001
30/09/2016	US	Personal Income	0.002	--	0.004
30/09/2016	US	Personal Spending	0.001	--	0.003
30/09/2016	US	Chicago Purchasing Manager	52	--	51.5
30/09/2016	US	U. of Mich. Sentiment	90	--	89.8

Source: Bloomberg

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