

Weekly Economic Update

27 June 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- Markets were dominated by the European referendum during the week.
- Equity markets rallied through the week as opinion polls indicated a swing to the remain camp up to the close on Thursday. However the narrow result in favour of the UK leaving the European Union shocked markets with equity markets falling 8% at the open on Friday morning. Equity markets narrowed their loses over the course of the day, as comments from the Bank of England and treasury calmed markets.
- The more domestically focused mid cap FTSE 250 index fared far worse than the globally focused large cap FTSE 100 index. Investors priced in a high likelihood of a domestic recession following the vote.
- The vote to leave the European Union, coupled with the resignation of David Cameron has meant that the UK is effectively leaderless at this important political juncture.
- Both the Conservative and Labour parties have been thrown into a leadership crisis, with both parties likely to go through a leadership election.
- Sterling weakened by 5% on a trade weighted basis following the results of the referendum and gilt yields have tumbled.
- In order to restore some calm to the markets, Mark Carney the Bank of England governor and George Osborne promised a liquidity lifeboat would be available if needed and signalled a possible easing of monetary policy in the short term.

GLOBAL

- Global equities tumbled on Friday, reversing the gains leading up to the UK's referendum. An event flagged by the IMF and the G20 as being a major concern for markets.
- Global developed markets fell precipitously on Friday with the Japanese Nikkei 225, French CAC falling 8% while the German DAX index fell 7%.
- Earlier in the week Janet Yellen, Chairmen of the Federal Reserve, gave testimony to the Senate Banking Committee. Yellen stated that the appropriate approach is to be cautious with monetary policy, and is not on a preset course. Yellen stated that recent economic developments were mixed with business investment weak though offset by stronger consumer expenditure. She expects the labour market and economy to improve, although she cites uncertainty in the outlook. She noted that Brexit could have significant impact on the US economy.
- US existing home sales for May rose 1.8% and weekly jobless claims came in much better than expected. Durable goods orders in May fell 2.2%, which came as a surprise after a rise in the previous month.
- The consumer confidence index in the Eurozone fell -7.3 in May, and June flash estimates for the composite PMI for the region also fell, from 53.1 to 52.8. Germany's composite PMI dropped to 54.1 from 54.5 and the French composite PMI fell to a four month low of 49.4.
- Oil prices followed equity markets over the week, rallying to over US\$50 on Thursday before falling to US\$47 on Friday.

Equity Markets	Index Level 24 Jun 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3349	-2.1%	-0.7%	-6.7%
FTSE 100	6139	-1.2%	0.6%	-6.7%
FTSE 250	16088	-6.2%	-6.4%	-7.8%
MSCI World	1609	1.5%	5.2%	5.4%
S&P 500	2037	2.6%	7.9%	12.6%
DAX	9557	-1.5%	-1.9%	-5.2%
Nikkei 225	14952	-0.9%	-0.1%	-0.9%
Hang Seng	20259	4.0%	1.3%	-12.2%
MSCI World EM	806	5.7%	9.9%	-4.9%

Bond Markets	Yield 24 Jun 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.58	3.3%	9.0%	12.2%
FTA All Stock ILG Index	-1.20	6.3%	12.0%	13.1%
FTA Over 5 Year ILG Index	-1.20	7.2%	13.7%	15.2%
FTA Under 5 Year FIG Index	0.38	0.7%	2.1%	3.1%
FTA Over 15 Year FIG Index	1.82	5.9%	16.2%	21.6%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	24 Jun 16	31 May 16	31 Dec 15	17 Jun 15
UK 10 Year Gilt Yield	1.09	1.43	1.96	2.13
UK 15 Year Gilt Yield	1.64	1.93	2.29	2.52
US 10 Year Treasury Yield	1.56	1.85	2.27	2.37
German 10 Year Yield	-0.05	0.14	0.63	0.84
Spanish 10 Year Yield	1.63	1.47	1.77	2.11
Greek 10 Year Yield	8.48	7.18	8.07	10.60
Japan 10 Year Yield	-0.20	-0.12	0.27	0.46

Currencies Exchange Rate	24 Jun 16	31 May 16	31 Dec 15	17 Jun 15
	GBP / USD	1.38	1.45	1.47
GBP / EURO	1.23	1.30	1.36	1.40
GBP / YEN	140.66	160.65	177.09	194.53

Commodities	Price Level	Price Level	Price Level	Price Level
	24 Jun 16	31 May 16	31 Dec 15	17 Jun 15
Oil - WTI	47.6	49.1	37.0	60.3
Gold	1315	1215	1061	1175
Wheat	455	465	470	518

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
27/06/2016	US	Advance Goods Trade Balance	-\$59.4b	--	-\$57.5b
27/06/2016	US	Markit US Services PMI	51.9	--	51.3
27/06/2016	US	Markit US Composite PMI	--	--	50.9
28/06/2016	FR	Consumer Confidence	97	--	98
28/06/2016	US	GDP Annualized QoQ	1.00%	--	0.80%
28/06/2016	US	GDP Price Index	0.60%	--	0.60%
28/06/2016	US	S&P/Case-Shiller US HPI NSA	--	--	176.91
28/06/2016	US	Consumer Confidence Index	93.4	--	92.6
28/06/2016	US	Richmond Fed Manufact. Index	3	--	-1
29/06/2016	JN	Retail Sales MoM	0.00%	--	0.00%
29/06/2016	UK	Nationwide House PX MoM	0.00%	--	0.20%
29/06/2016	SP	CPI EU Harmonised YoY	-1.00%	--	-1.10%
29/06/2016	UK	Net Consumer Credit	1.5b	--	1.3b
29/06/2016	UK	Mortgage Approvals	65.0k	--	66.3k
29/06/2016	US	MBA Mortgage Applications	--	--	2.90%
29/06/2016	GE	CPI YoY	0.30%	--	0.10%
29/06/2016	US	Pending Home Sales NSA YoY	4.60%	--	2.90%
30/06/2016	UK	GfK Consumer Confidence	-2	--	-1
30/06/2016	JN	Industrial Production MoM	-0.20%	--	0.50%
30/06/2016	JN	Japan Buying Foreign Bonds	--	--	-¥457.7b
30/06/2016	JN	Vehicle Production YoY	--	--	-9.70%
30/06/2016	GE	Retail Sales YoY	2.50%	--	2.30%
30/06/2016	FR	CPI YoY	0.20%	--	0.00%
30/06/2016	GE	Unemployment Change (000's)	-5k	--	-11k
30/06/2016	UK	GDP YoY	2.00%	--	2.00%
30/06/2016	UK	Current Account Balance	-28.0b	--	-32.7b
30/06/2016	IT	CPI EU Harmonized YoY	-0.20%	--	-0.30%
30/06/2016	US	Initial Jobless Claims	267k	--	259k
30/06/2016	US	Chicago Purchasing Manager	51	--	49.3
07/01/2016	JN	Natl CPI YoY	-0.50%	--	-0.30%
07/01/2016	JN	Tankan Large Mfg Index	4	--	6
07/01/2016	CH	Manufacturing PMI	50	--	50.1
07/01/2016	JN	Consumer Confidence Index	41	--	40.9
07/01/2016	FR	Markit France Manufacturing PMI	47.9	--	47.9
07/01/2016	GE	Markit/BME Germany Manufacturing PMI	54.4	--	54.4
07/01/2016	UK	Markit UK PMI Manufacturing SA	50.1	--	50.1
07/01/2016	US	Markit US Manufacturing PMI	51.4	--	51.4
07/01/2016	US	ISM Manufacturing	51.4	--	51.3

Source: Bloomberg

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