

Weekly Economic Update

29 February 2016



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 6,096, up 2.5%, after initial falls. This was a second successive week of gains for the index, cancelling out losses made in the early parts of February. The UK 10 year gilt yield moved from 1.41% to 1.40%.
- Continued fears regarding a 'Brexit' forced the pound down further last week to below \$1.39, a 7-year low. The currency is also at its lowest against the euro for over a year.
- There were 74,581 UK mortgage approvals in January, the highest monthly total for 2 years. The stamp duty on buy-to-let properties and second homes will be increasing in April which has meant a rush to purchase properties, together with the incentives from current low interest rates.

GLOBAL

- Global markets were once again volatile through the week, driven largely by movements in oil prices which fell on comments from Saudi Arabia before making gains towards the end of the week. 'Brexit' worries were a topic of discussion for the G20 nations over the weekend, with stock markets falling in early trading today.
- Stocks in China fell over 6% on Thursday, as investors took profits after the market edged upwards through February. Stocks fell after concerns about potential tighter liquidity and that new reforms on Initial Public Offerings may lead to a heightened supply of shares of small companies. Chinese stocks recovered somewhat at the end of the week, trimming losses to 3.3%, after governor of the central bank Zhou Xiaochuan stated that the bank has the option for further monetary easing to help economic growth. These falls arrive just a week after the chairman of China's securities regulator was replaced, in a further bid to gain stability in markets.
- Finance ministers of the G20 nations met in China over the weekend. The upcoming EU referendum for the UK was a key issue, with ministers agreeing that a 'Brexit' would be dangerous for international stability. It was concluded that this was 'among the biggest economic dangers this year' according to George Osborne, chancellor, who attended the two-day meeting.
- Saudi Arabia's oil minister Ali Al-Naimi stated that 'It's not going to happen', when speaking about a cut in oil production in the OPEC (Organisation of the Petroleum Exporting Countries). The minister accused other oil producing countries of failing to make their best efforts to limit production and stabilise oil prices, stating that any attempts by Saudi Arabia to do so would be a waste of time. Brent Crude prices fell over 2% on Wednesday following the announcement, with this fall translating to a fall in stock markets, before rallying for the rest of the week.
- The 5 year - 5 year eurozone breakeven forward, a key measure of inflation expectations used by the European Central Bank, fell to a record low. The measure fell below 1.4%, a further sign of falls in inflation driven by low oil prices.
- Jobless claims in the US rose from a 3 month low in the 3rd week of February by 10,000 to 272,000. The movement is thought to be due to job changes around the Presidents' Day holiday earlier in the month rather than a sign of weakness in the labour market.

Equity Markets	Index Level 26 Feb 16	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3344	0.7%	-2.4%	-7.4%
FTSE 100	6096	0.8%	-1.7%	-8.8%
FTSE 250	16567	0.6%	-4.8%	-1.4%
MSCI World	1554	2.3%	-0.4%	-0.2%
S&P 500	1948	3.2%	1.6%	4.7%
DAX	9513	0.3%	-5.3%	-9.0%
Nikkei 225	16188	0.6%	-3.8%	0.3%
Hang Seng	19364	1.0%	-6.4%	-10.9%
MSCI World EM	740	2.3%	-0.9%	-15.0%

Bond Markets	Yield 26 Feb 16	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.93	0.7%	4.3%	4.1%
FTA All Stock ILG Index	-0.88	-1.0%	3.7%	3.0%
FTA Over 5 Year ILG Index	-0.88	-1.2%	4.2%	3.2%
FTA Under 5 Year FIG Index	0.51	0.5%	1.5%	2.4%
FTA Over 15 Year FIG Index	2.24	0.4%	6.6%	4.9%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	26 Feb 16	30 Nov 15	31 Dec 14	26 Feb 15
UK 10 Year Gilt Yield	1.40	1.56	1.96	1.73
UK 15 Year Gilt Yield	1.84	1.92	2.29	2.07
US 10 Year Treasury Yield	1.76	1.92	2.27	2.03
German 10 Year Yield	0.15	0.33	0.63	0.30
Spanish 10 Year Yield	1.57	1.51	1.77	1.28
Greek 10 Year Yield	10.15	9.35	8.07	9.08
Japan 10 Year Yield	-0.07	0.10	0.27	0.34

Currencies Exchange Rate	26 Feb 16	30 Nov 15	31 Dec 14	26 Feb 15
	GBP / USD	1.39	1.42	1.47
GBP / EURO	1.27	1.31	1.36	1.38
GBP / YEN	158.08	172.03	177.09	184.02

Commodities	Price Level	Price Level	Price Level	Price Level
	26 Feb 16	30 Nov 15	31 Dec 14	26 Feb 15
Oil - WTI	32.8	33.6	37.0	48.2
Gold	1223	1118	1061	1209
Wheat	443	479	470	503

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
29/02/2016	GE	Retail Sales MoM	0.30%	0.70%	-0.20%
29/02/2016	UK	Mortgage Approvals	74.0k	74.6k	70.8k
29/02/2016	US	Chicago Purchasing Manager	52.5	--	55.6
29/02/2016	US	Pending Home Sales MoM	0.50%	--	0.10%
29/02/2016	JN	Jobless Rate	3.30%	--	3.30%
29/02/2016	JN	Job-To-Applicant Ratio	1.27	--	1.27
29/02/2016	JN	Capital Spending YoY	8.70%	--	11.20%
01/03/2016	CH	Manufacturing PMI	49.4	--	49.4
01/03/2016	CH	Caixin China PMI Mfg	48.4	--	48.4
01/03/2016	JN	Nikkei Japan PMI Mfg	--	--	50.2
01/03/2016	SP	Markit Spain Manufacturing PMI	54.5	--	55.4
01/03/2016	IT	Markit/ADACI Italy Manufacturing PMI	52.2	--	53.2
01/03/2016	FR	Markit France Manufacturing PMI	50.3	--	50.3
01/03/2016	GE	Unemployment Change ('000's)	-10k	--	-20k
01/03/2016	GE	Markit/BME Germany Manufacturing PMI	50.2	--	50.2
01/03/2016	UK	Markit UK PMI Manufacturing SA	52.3	--	52.9
01/03/2016	US	Markit US Manufacturing PMI	51.2	--	51
01/03/2016	US	ISM Manufacturing	48.5	--	48.2
01/03/2016	US	Construction Spending MoM	0.40%	--	0.10%
01/03/2016	JN	Monetary Base YoY	--	--	28.90%
02/03/2016	SP	Unemployment MoM Net ('000s)	7.9	--	57.2
02/03/2016	UK	Markit/CIPS UK Construction PMI	55.5	--	55
02/03/2016	US	MBA Mortgage Applications	--	--	-4.30%
02/03/2016	US	ADP Employment Change	185k	--	205k
03/03/2016	UK	Nationwide House PX MoM	0.40%	--	0.30%
03/03/2016	UK	Halifax House Prices MoM	0.00%	--	1.70%
03/03/2016	UK	Markit/CIPS UK Services PMI	55.1	--	55.6
03/03/2016	US	Initial Jobless Claims	270k	--	272k
03/03/2016	US	Factory Orders	2.10%	--	-2.90%
03/03/2016	US	Durable Goods Orders	--	--	4.90%
04/03/2016	IT	GDP WDA QoQ	0.10%	--	0.10%
04/03/2016	US	Trade Balance	-\$43.80b	--	-\$43.36b
04/03/2016	US	Change in Nonfarm Payrolls	193k	--	151k
04/03/2016	US	Unemployment Rate	4.90%	--	4.90%

Source: Bloomberg

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