

Weekly Economic Update

29 October 2018

FOR PROFESSIONAL ADVISERS ONLY



UK

- The FTSE 100 closed the week at 6,940, down 1.5%. The UK 10 year gilt yield moved from 1.58% to 1.38%.
- Chancellor Philip Hammond will announce plans for the latest budget on Monday afternoon, with proposals based on the assumption that the UK will reach a Brexit deal with the EU. In the event of a no deal, Hammond says a different approach will be required, hinting towards significant tax cuts.

GLOBAL

- Volatility in markets continued last week as earnings season continued and growth concerns mounted. While third quarter earnings appeared solid, markets looked ahead to potential rising company costs, including the effects of US and Chinese tariffs.
- In regional elections in Germany, chancellor Angela Merkel's coalition party have suffered losses, with the two parties in the coalition each down 10% from the last Hesse elections in 2013. Merkel's Christian Democratic Union (CDU) received 28% of the vote while the Greens party showed significantly increased support from 2013, up to 19.5% from 11.1% in 2013. Andrea Nahles, leader of the Social Democratic Party (in coalition with the CDU) threatened to end the alliance with the CDU if they do not deliver more policy results by next year. Reports from Germany this morning suggest that Merkel will not seek re-election as chairperson of the CDU at the upcoming conference in December. Her position as chairperson of the CDU has given her the role of chancellor and it is currently unclear whether she would remain as chancellor without the chairperson role.
- The European Commission has requested that the Italian government revised its proposed spending budget given their concerns of the impact of increased debt levels in Italy. While the Italian government have rejected the prospect of leaving the EU, they appear to be standing firm on the budget. The EU has given Italy three weeks to rewrite the plan.
- The European Central Bank (ECB) left interest rates unchanged on Thursday and reiterated plans to end its quantitative easing programme in December. This is in spite of uncertainty around Brexit, populism and trade. President of the ECB, Mario Draghi, said that despite the risks, there is no change to the 'baseline scenario'.
- The Eurozone composite purchasing managers' index from Markit fell from 54.1 in September to 52.7 in October, the lowest level for over 2 years.
- Jair Bolsonaro was victorious in the Brazilian presidential election over the weekend, winning 56% of the vote. His party is described as right-wing and he has been labelled in the media as Brazil's Donald Trump. Bolsonaro's popularity climbed following a campaign trail in which he was stabbed. His pledges include a stricter treatment of criminals and the privatisation of state-owned businesses.

Equity Markets	Index Level 26 Oct 18	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	3800	-7.7%	-6.9%	-3.9%
FTSE 100	6940	-7.4%	-6.4%	-3.4%
FTSE 250	18353	-9.4%	-9.4%	-6.6%
MSCI World	1982	-7.7%	1.4%	2.9%
MSCI World EM	940	-8.8%	-12.4%	-10.5%

Bond Markets	Yield 26 Oct 18	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.63	1.4%	0.0%	2.4%
FTA All Stock ILG index	-1.61	2.9%	0.7%	4.6%
FTA Over 5 Year ILG index	-1.61	3.1%	0.6%	5.0%
FTA Under 5 Year FIG Index	0.80	0.5%	0.2%	0.5%
FTA Over 15 Year FIG Index	1.78	1.8%	-0.5%	3.8%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	26 Oct 18	30 Sep 18	31 Dec 17	26 Oct 17
UK 10 Year Gilt Yield	1.38	1.57	1.19	1.38
UK 15 Year Gilt Yield	1.57	1.72	1.51	1.72
US 10 Year Treasury Yield	3.08	3.06	2.41	2.46
German 10 Year Yield	0.35	0.47	0.43	0.42
Spanish 10 Year Yield	1.57	1.50	1.57	1.54
Greek 10 Year Yield	4.28	4.15	4.07	5.51
Japan 10 Year Yield	0.11	0.13	0.05	0.07

Currencies Exchange Rate	26 Oct 18	30 Sep 18	31 Dec 17	26 Oct 17
	GBP / USD	1.28	1.30	1.35
GBP / EURO	1.13	1.12	1.13	1.13
GBP / YEN	143.65	148.02	152.26	149.87

Commodities	Price Level	Price Level	Price Level	Price Level
	26 Oct 18	30 Sep 18	31 Dec 17	26 Oct 17
Oil - WTI \$	67.59	73.25	60.42	52.64
Gold \$	1,233.13	1,192.50	1,303.05	1,266.97
Wheat \$	505.25	509.00	427.00	431.75

Source: Mobius Life, Bloomberg
Please Note: Past performance is not a guide to future performance

Index Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group").
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Weekly Economic Update

Upcoming Data Releases



Date	Region	Event	Survey	Actual	Prior
29/10/2018	UK	Mortgage Approvals	64.7k	65.3k	66.4k
29/10/2018	JN	Jobless Rate	2.40%	--	2.40%
30/10/2018	GE	CPI MoM	0.10%	--	0.40%
30/10/2018	JN	Industrial Production MoM	-0.30%	--	0.20%
31/10/2018	CH	Manufacturing PMI	50.6	--	50.8
31/10/2018	US	MBA Mortgage Applications	--	--	0.0
01/11/2018	CH	Caixin China PMI Mfg	50.0	--	50.0
01/11/2018	UK	Bank of England Bank Rate	0.75%	--	0.75%
01/11/2018	US	Initial Jobless Claims	212k	--	215k
01/11/2018	US	Markit US Manufacturing PMI	55.8	--	55.9
01/11/2018	US	Construction Spending MoM	0.00%	--	0.10%
01/11/2018	US	ISM Manufacturing	59.0	--	59.8
02/11/2018	FR	Markit France Manufacturing PMI	51.2	--	51.2
02/11/2018	GE	Markit/BME Germany Manufacturing PMI	52.3	--	52.3
02/11/2018	US	Change in Nonfarm Payrolls	193k	--	134k
02/11/2018	US	Durable Goods Orders	--	--	0.80%

Source: Bloomberg

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