

Weekly Economic Update

30 May 2017



FOR PROFESSIONAL ADVISERS ONLY

UK

- The FTSE 100 closed the week at 7,548, up 1.1%. The UK 10 year gilt yield moved from 1.09% to 1.01%.
- Unfortunately, the general election campaign was put on hold for a few days last week after an attack at the Manchester Arena on Monday evening in which 22 people were killed, many of which were young children. Theresa May, the UK's prime minister, raised the security level to 'critical' following the attack and increased the number of armed police on the streets in anticipation of further attacks.
- Both Theresa May and Labour party leader Jeremy Corbyn took live questions from a studio audience on 29th May. Both party leaders appear to have come through the ordeal having taken a similar level of scrutiny with May quizzed on her cuts to public services and manifesto u-turns changes and Corbyn questioned over his approach to dealing with security issues given his speculated former links to the IRA.
- Brexit negotiations between the UK and the EU have been scheduled to begin on 19th June. May has promised a hard stance on Brexit if she remains in power, with 'no deal' being preferred to a 'bad deal'. Corbyn's stance is less clear, with the Labour party looking to maintain some of the benefits of an EU membership. Recent election polls have shown Labour closing the gap on the Conservative party even though many had been expecting a more one-sided election on 8th June.

GLOBAL

- Global equities climbed further, driven by positive data releases in the US.
- The growth of the US economy in the first quarter was revised higher from 0.7% to 1.2% despite expectations that the revision would see a figure of just 0.9% revealed. Levels of household spending were higher than initial measured.
- Minutes from the Federal Reserve (Fed) meeting earlier in the month were released on Wednesday, outlining the Fed's plans to reduce the size of its \$4.5 trillion balance sheet. Proceeds from current debt holdings are currently reinvested, but the Fed expects to taper this process by setting a rising cap on the amount of debt that is allowed to mature without being reinvested, in a 'gradual and predictable manner'.
- Credit rating agency Moody's downgraded China's long term issuer rating from Aa3 to A1 with a stable outlook. Moody's cited rising debt levels and slowing growth as reasons for their expectation of weakening financial strength in China. Chinese bond markets were left relatively unchanged and the Shanghai Composite Index still ended the week higher.
- The existing agreement between members of the Organisation of the Petroleum Exporting Countries (OPEC) to limit oil production was set to expire in June. However, it was confirmed last week that this is to be extended for a further 9 months but oil prices fell as markets doubted the ability of cuts to address the oversupply issue.

Equity Markets	Index Level 26 May 17	Total Return (Sterling)		
		MtD	YtD	1 Year
FTSE All Share	4130	4.7%	8.5%	24.4%
FTSE 100	7548	5.3%	7.7%	25.3%
FTSE 250	20025	2.4%	12.1%	19.7%
MSCI World	1912	3.4%	6.6%	34.3%
S&P 500	2416	2.8%	5.0%	35.2%
DAX	12602	5.1%	12.2%	40.5%
Nikkei 225	19687	3.8%	4.1%	32.5%
Hang Seng	25639	5.7%	13.0%	48.7%
MSCI World EM	1017	5.4%	14.5%	49.0%

Bond Markets	Yield 26 May 17	Index % Change (Sterling)		
		MtD	YtD	1 Year
FTA All Stock Gilt Index	1.38	0.8%	2.6%	7.2%
FTA All Stock ILG Index	-1.76	-0.4%	3.9%	22.2%
FTA Over 5 Year ILG Index	-1.75	-0.5%	4.2%	24.5%
FTA Under 5 Year FIG Index	0.17	0.0%	0.4%	1.6%
FTA Over 15 Year FIG Index	1.58	1.4%	4.2%	12.9%

Interest Rates & Yields	Yield	Yield	Yield	Yield
	26 May 17	30 Apr 17	31 Dec 16	26 May 16
UK 10 Year Gilt Yield	1.01	1.09	1.24	1.42
UK 15 Year Gilt Yield	1.40	1.47	1.63	1.95
US 10 Year Treasury Yield	2.25	2.28	2.44	1.83
German 10 Year Yield	0.33	0.32	0.21	0.15
Spanish 10 Year Yield	1.54	1.65	1.38	1.50
Greek 10 Year Yield	5.91	6.25	7.02	7.11
Japan 10 Year Yield	0.04	0.02	0.04	-0.11

Currencies Exchange Rate	26 May 17	30 Apr 17	31 Dec 16	26 May 16
	GBP / USD	1.28	1.30	1.23
GBP / EURO	1.14	1.19	1.17	1.31
GBP / YEN	142.50	144.28	144.01	160.90

Commodities	Price Level	Price Level	Price Level	Price Level
	26 May 17	30 Apr 17	31 Dec 16	26 May 16
Oil - WTI \$	49.80	49.33	53.72	49.48
Gold \$	1,266.90	1,268.29	1,152.27	1,219.80
Wheat \$	438.25	418.50	408.00	481.25

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
30/05/2017	JN	Jobless Rate	2.80%	2.80%	2.80%
30/05/2017	JN	Job-To-Applicant Ratio	1.46	1.48	1.45
30/05/2017	FR	Consumer Confidence	101	102	100
30/05/2017	FR	GDP QoQ	0.30%	0.40%	0.30%
30/05/2017	SP	CPI YoY	2.10%	1.90%	2.60%
30/05/2017	GE	CPI MoM	-0.10%	--	0.00%
30/05/2017	GE	CPI YoY	1.60%	--	2.00%
30/05/2017	US	Personal Income	0.40%	--	0.20%
30/05/2017	US	Personal Spending	0.40%	--	0.00%
31/05/2017	JN	Industrial Production MoM	4.20%	--	-1.90%
31/05/2017	CH	Manufacturing PMI	51	--	51.2
31/05/2017	FR	CPI YoY	0.90%	--	1.20%
31/05/2017	GE	Unemployment Change (000's)	-15k	--	-15k
31/05/2017	UK	Mortgage Approvals	66.0k	--	66.8k
31/05/2017	IT	CPI EU Harmonized YoY	1.60%	--	2.00%
31/05/2017	US	MBA Mortgage Applications	--	--	4.40%
01/06/2017	JN	Nikkei Japan PMI Mfg	--	--	52
01/06/2017	CH	Caixin China PMI Mfg	50.1	--	50.3
01/06/2017	UK	Nationwide House PX MoM	0.20%	--	-0.40%
01/06/2017	SP	Markit Spain Manufacturing PMI	54.7	--	54.5
01/06/2017	IT	Markit/ADACI Italy Manufacturing PMI	56	--	56.2
01/06/2017	FR	Markit France Manufacturing PMI	54	--	54
01/06/2017	GE	Markit/BME Germany Manufacturing PMI	59.4	--	59.4
01/06/2017	UK	Markit UK PMI Manufacturing SA	56.5	--	57.3
01/06/2017	US	Initial Jobless Claims	239k	--	234k
01/06/2017	US	Markit US Manufacturing PMI	52.5	--	52.5
01/06/2017	US	ISM Manufacturing	54.6	--	54.8
02/06/2017	US	Change in Nonfarm Payrolls	185k	--	211k
02/06/2017	US	Unemployment Rate	4.40%	--	4.40%

Source: Bloomberg

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