

Arlo Associates Weekly Market Summary

1st July 2018

US STOCKS FALL AS TRADE TENSIONS RISE

With the S&P 500 index suffering its worst daily decline in 3-months on Monday, with President Trump continuing to unleash a torrent of anti-trade rhetoric. After outperforming its peers this year, the tech-heavy Nasdaq index fell over 2 percent, after the US Administration threatened to limit Chinese investment into US technology companies and reduce access of technology exports to China.

UK GROWTH HITS 0.2 PERCENT IN THE FIRST QUARTER

Revised up from 0.1 percent, as data from the construction industry came in stronger than previously forecast. In April, the key services sector expanded by 0.3 percent, the largest monthly increase since November last year. These strong economic indicators helped the British pound recover against the dollar and close the week at \$1.3207 after hitting a mid-week low of \$1.3062.

EUROPEAN INFLATION REACHES CENTRAL BANK TARGET

With the headline rate rising 2 percent in the 12 months to June, as fuel costs rose on the back of surging oil prices. Conversely, core inflation, which does not include volatile energy and food prices, fell to 1 percent from 1.1 percent in May. In the markets, European stocks were dragged lower by tensions surrounding global trade with the Stoxx Europe 600 index down 1 percent.

JAPAN'S JOBLESS RATE HITS 25 YEAR LOW

After falling to 2.2 percent in May, whilst the jobs-to-applicants ratio hit its highest level since 1974 at 1.60 – this means that for every 160 jobs there are 100 job seekers. Unfortunately, the ultra-tight labour market has not translated into rising wages as companies continue to hoard cash. This has left the inflation rate at 0.7 percent for May, well below the central bank's 2 percent target.

WTI CRUDE SURGES 13 PERCENT

Reaching a 3½-year high, despite Saudi Arabia increasing production to a record 11 million barrels a day. Bullish investors were focused on US pressure on its allies to stop importing Iranian oil, as well as a power outage at a major Canadian producer and plunging output from Libya and Venezuela. WTI and Brent crude closed the week at \$74.25 and \$79.23 a barrel, respectively.

IN OTHER FINANCIAL NEWS :

- **China cuts its reserve requirement ratio**, which determines the amount of cash lenders must hold as reserves and could potentially unlock \$108 billion of liquidity.
- **Egypt holds key deposit rate at 16.75 percent**, as higher fuel prices have sparked concerns of rising inflation – inflation was as high as 30 percent last year.
- **Jordan receives \$500m World Bank financing**, a month after protests shut down the government, with the funds designed to encourage inclusive economic growth.
- **Deutsche Bank fails stress test**, whilst Goldman Sachs and Morgan Stanley only scrapped by, indicating that the German bank would not withstand a financial crisis.

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