

Arlo Weekly Market Summary

3rd February 2019

US STOCKS POST BEST JANUARY FOR 30 YEARS

With the Dow Jones Industrial Average up 7.2 percent over the month, with a final boost last week given by Donald Trump hailing the “tremendous progress” made on the US-China trade negotiations. Last year’s trade war between the two super powers depressed markets and led to the worst December for US stocks since 1931, but a potential resolution has lifted investor optimism in 2019.

FED TO HOLD OFF ON HIKING INTEREST RATES

Despite the central bank previously planning two hikes this year, as policymakers warn of uncertainties in the US economy, a slowdown in the China and the impact of a no-Brexit in the United Kingdom. At the first policy meeting of 2019, the central bank held the federal funds rate at a range of 2.25-2.50 percent and committed to being patient and letting data drive their future decisions.

UK POUND FALLS ON ‘HARD’ BREXIT CONCERNS

Closing at \$1.3081 after being as high as 1.3210 earlier in the week, following the EU’s rejection to reopen negotiations on the Brexit withdrawal agreement that was signed in November. Compounding the negative sentiment was the release of the IHS Markit/CIPS data showing manufacturing activity had fallen more severely than previously forecast and puts the UK at risk of a recession.

ITALY ENTERS FIRST RECESSION SINCE 2013

As the 0.2 percent contraction in the last three months of 2018 was the second consecutive quarter of negative growth, as the country battles with the political instability of the coalition government, fiscal concerns and increased debt costs. The market’s reaction was muted, as investors seem to have priced in the news after months of seeing the government battle the EU over their 2019 budget.

OIL PRICES RECORD BEST JANUARY ON RECORD

With WTI up 18 percent over the month, on the back of OPEC’s recent emergency supply cuts and receding pessimism of the global economy. Other factors helping oil prices claw back a third of its 2018 losses included a report that the US gasoline demand remained strong, a smaller-than-forecast growth in oil supply, and the Federal Reserve’s decision to put a hold on further interest rate hikes.

IN OTHER FINANCIAL NEWS :

- **304,000 US jobs added in January**, the 100th consecutive month of gains, with positions added across multiple sectors - illustrating the strength of the US economy.
- **Eurozone economy grew by 1.8 percent in 2018**, the slowest pace in four years, as the bloc was held back by a slowdown in exports and widespread political turmoil.
- **Saudi Arabia launches ETF**, the MSCI Tadawul 30 Index, which tracks the 30 largest companies and creates a derivatives market in the GGC’s largest economy.
- **UAE growth forecast increases**, with non-oil growth to rise to 3.9 percent this year, with the IMF citing increased government spending and higher inward investment.

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