

Arlo Associates Weekly Market Summary

04th March 2018

US stocks record large losses

With the Dow Jones and S&P 500 indices down 2.0 and 3.0 percent, respectively, as investors showed their concern that the Federal Reserve could raise rates four times this year, rather than the three previously forecast. This was following comments by the new Fed Chair Jerome Powell that the central bank is re-evaluating their 'rate paths' following recent economic developments.

Global powers condemn Trump's import tariffs

With the International Monetary Fund warning the move will hurt US interests whilst the European Union announced that they could respond with tariffs on \$3.5bn worth of US imports. President Trump announced on Thursday plans to introduce the tariffs on steel and aluminium of 25 and 10 percent, respectively, citing a need for the US to protect national security.

European stocks in decline

With the pan-European STOXX 600 down over 2 percent, on several factors including a low inflation figure, weak economic data and a possible US trade war following Trump's planned tariffs. Both Italy and Germany go to the polls over the weekend, with the Italian election unlikely to lead to a definitive winner, whilst Germany will learn whether Angela Merkel has successfully formed a coalition.

Nikkei 225 Stock Average down 3.25 percent

A 711 point drop from the previous Friday close, on fears that Trump's import tariffs could impact Japanese companies, especially automakers. Although most Japanese cars sold in North America are assembled using US-sourced steel and aluminium, investors fear that the new tariffs could lead to higher raw material prices that will hurt global automakers.

Oil prices fall over 4 percent

The first weekly decline in four weeks, on the Trump's plans to impose heavy tariffs on foreign steel and aluminium imports. Investors fear that Trump's plan to protect US producers will in fact hurt the oil & gas industry as it will raise the costs of large infrastructure projects. WTI and Brent crude closed the week at \$61.25 and \$64.37 a barrel, respectively.

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- **Dubai's credit risk falls under 100 basis points**, from a high of 1,000 in 2009 following the financial crisis, as demand for yield from foreign investors increase.
- **India is world's fastest growing major economy**, regaining the title from China, after the economy grew 7.2 percent in Q4 of 2017 compared to China's 6.8 percent.
- **Harvard's endowment writes off \$1 billion**, 25 percent of its natural resources portfolio, after the university took losses on South American farming investments.

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