

Arlo Associates Weekly Market Summary

7th October 2018

US UNEMPLOYMENT RATE HITS 49-YEAR LOW

Falling to 3.7 percent in September, whilst the economy added 134,000 jobs over the month. Economists have forecast that the unemployment rate could fall as low as 3.25 percent, which will add further support to the Federal Reserve to raise US interests to combat increased inflationary pressures. Average hourly earnings rose at an annualised rate of 2.8 percent across the month.

US AND CANADA AGREE NEW TRADE DEAL

Which together with Mexico will be called the United States-Mexico-Canada Agreement (USMCA) and will officially replace the North American Free Trade Agreement that has been in force since 1994. USMCA will govern \$1 trillion of trade between the three nations and will include arrangements on a wide range of products, including US dairy, Mexican car manufacturing and Canadian lumber.

ITALY'S 10-YEAR BOND YIELD HITS 4½-YEAR HIGH

After comments from a leading lawmaker that many of the country's economic problems could be solved by leaving the euro, although Italy's Prime Minister Giuseppe Conte made a statement that the government was committed to the currency. Investors remain concerned that the 2.4 percent budget deficit target next year could lead to credit downgrades by the global ratings agencies.

JAPAN'S ECONOMY AT RISK OF A SLOWDOWN

According to the IMF who noted that the proposed consumption tax increase from 8 to 10 percent next year should be offset with extra government spending. IMF managing director Christine Lagarde highlighted the country's long-term challenges including a forecast 25 percent decrease in Japan's population over the next 40 years that will reduce economic productivity and growth.

OIL PRICES HIT A 4-YEAR HIGH

With the international benchmark reaching \$86.74 a barrel on Wednesday, as investors anticipate disruptions to the oil market when US sanctions on Iran take effect on November 4th. Saudi Arabia and Russia have committed to increasing production to compensate for the loss of Iranian supply, however this has done little to hold back oil prices which have risen almost 20 percent since mid-August.

IN OTHER FINANCIAL NEWS :

- **Turkey's inflation rate hits 15-year high**, reaching an annual rate of 24.5 percent in September, due to rising oil prices, higher US interest rates and a crashing lira.
- **Indian stocks fall 5 percent**, with the market down 11 percent from its August high, as the economy comes under pressure from rising inflation and a stronger US dollar.
- **Saudi Aramco public offering set for 2021**, according to the Saudi Arabian crown prince who said he believes that investors will value the company above \$2 trillion.
- **UAE's GDP to grow 3.7 percent next year**, according the IMF who cited increased government spending and higher oil prices as the reason for boosting their forecast.
- **Tunisia releases \$247m IMF loan tranche**, which follows a \$2.9bn loan agreement in 2016, after the country implemented structural reforms and austerity measures.

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