

# Arlo Weekly Market Summary

9th December 2018

## US EQUITY MARKETS FINISH LOWER

With the major indices down more than 4 percent for the week, as investors absorbed a wave of negative news, including a weak November jobs report and the inversion of the Treasury yield curve. The optimism on Monday from positive US-China trade negotiations over the weekend was lost by Thursday, after Canada arrested the CFO of Chinese telecom giant Huawei - on orders from the US.

## US TREASURY YIELD CURVE PARTIALLY INVERTS

For the first time since the financial crisis, as yields on the two- and three-year notes rose above the five-year note, whilst the spread between the two- and ten- year was the closest since 2007. A yield curve inversion has proceeded the last seven US economic recessions, with the last event taking place in August 2005, just over two-years before the global recession and financial crisis.

## EUROPEAN MARKETS FINISH AT 2-YEAR LOW

After the pan-European Stoxx 600 index lost 3.3 percent over the week on continued global trade concerns as a potential US-Sino truce appears to have collapsed. Germany's DAX index officially fell into bear market territory after closing over 20 percent lower from its January high, as the country's automotive-heavy economy sees renewed barriers on exports to its two largest markets.

## JAPAN'S Q3 GROWTH REDUCED FURTHER

With a group of economists suggesting that the economy contracted by 1.9 percent over the quarter compared to the government's initial 1.2 percent estimate. Whilst Q4 growth is likely to demonstrate a strong bounce-back, the economists are forecasting weak growth over 2019 as the export-dependent economy is starting to show the damage caused by the US-China led trade dispute.

## OIL PRICES RISE AFTER OPEC AGREEMENT

With the two-day meeting in Vienna ending with an agreed 1.2 million barrel a day cut to global production. 800,000 barrels will be cut from OPEC members, mainly the de facto leader Saudi Arabia, whilst the remaining 400,000 barrels will be taken from non-OPEC members, predominantly Russia. Oil producers are aiming to increase Brent crude to \$80 a barrel – it closed Friday at \$62.

## IN OTHER FINANCIAL NEWS :

- **FTSE 100 down on Brexit concerns**, with the index losing 3 percent for the week as investors wait on the UK parliamentary vote to approve the EU's withdrawal deal.
- **US economy adds 155,000 jobs in November**, driven by growth in healthcare, manufacturing and manufacturing, whilst the unemployment remained at 3.7 percent.
- **South African shares rise on economic growth**, with the FTSE/JSE All Share Index up 0.7 percent after third quarter growth hit an annualised rate of 2.2 percent.

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