

# Arlo Associates Weekly Market Summary

12th August 2018

## US STOCKS END THE WEEK MIXED

With technology and small-caps finishing higher whilst value stocks and large-caps declined. Residual momentum from a strong second quarter reporting season seemed to be the main force in an otherwise quiet week. The tech-heavy Nasdaq remains the strongest performer year-to-date, up 13.55 percent compared to 5.97 and 2.40 percent for the S&P 500 and Dow Jones, respectively.

## TURKISH LIRA HITS RECORD LOW AGAINST THE DOLLAR

Losing over 25 percent in the week, as tensions with the US worsen and the central bank fails to combat inflation. Trump announced, via Twitter, that US sanctions would be doubled on Turkish aluminum and steel to 20 and 50 percent, respectively. Internally, Turkey's central bank failed to raise the interest rate in July from 17.75 percent, despite inflation holding at 16 percent.

## JAPAN'S ECONOMY EXPANDS IN SECOND QUARTER

Growing by an annualized rate of 1.9 percent and avoiding a technical recession after the economy contracted by 0.9 percent in the first quarter of the year. Private consumption performed even better during the period, expanding at 2.8 percent at an annualized rate. Economists are forecasting expansion to remain strong although warn that global trade issues could derail growth.

## CHINA'S CURRENCY FALLS FOR NINTH CONSECUTIVE WEEK

The longest losing streak since adopting the current exchange regime in 1994, as the currency crisis in Turkey led global investors to sell off risky Asian currencies for safe-haven assets. Trade tensions between the US escalated through the week as the Chinese government announced 25 percent tariffs on an additional \$16 billion worth of US goods.

## OIL PRICES FALL TO 7-WEEK LOW

As global trade fears trumped all other factors, although prices recovered on Friday following positive demand forecasts. The International Energy Agency kept demand for this year unchanged at 1.4 million barrels a day but forecast global oil demand in 2019 to grow by 110,000 barrels to 1.5 million a day. WTI and Brent crude closed the week at \$67.63 and \$72.81 a barrel, respectively.

## IN OTHER FINANCIAL NEWS :

- **Russia's rouble hit by surprise US hostility**, falling to a 20-month low against the dollar, as new sanctions were introduced in response to the Skripal poisoning.
- **Saudi Arabia offloads Canadian assets**, "no matter the cost", as the dispute between the two nations over the kingdom's human rights record escalates.
- **Abu Dhabi stocks hit multi-year high**, after surging 7 percent over the week, as companies listed on the ADX released strong second quarter financial reports.
- **Elon Musk 'tweets' plans to take Tesla private**, sending the share price up over 11 percent although it fell back again when doubts about his plans were raised.

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