

Arlo Associates Weekly Market Summary

13th May 2018

US indices back in positive territory year-to-date

Driven higher by positive news across many sectors although financials outperformed as the increase in long-term bond yields allows higher lending margins by banks. The last of the earnings reports trickled in over the week with figures generally being positive; nearly 80 percent of S&P 500 beat analyst forecasts for the quarter, whilst average earnings growth hit 24.9 percent.

Bank of England holds rates at 0.5 percent

With the central bank acknowledging a “temporary soft patch” in the economy after the UK’s GDP grew only 0.1 percent in the first quarter of this year. Despite their latest decision, the Bank’s governor Mark Carney still believes that interest rates will likely be hiked at some point this year. The BOE also cut its growth forecast this year to 1.4 percent from February’s estimate of 1.8 percent.

Japan expected to have shrunk in first quarter

Breaking two years of consecutive quarterly expansion – the longest streak in three decades. Although not officially confirmed, economists point to weak private consumption, which makes up 60 percent of GDP, and a slowdown in industrial production. Whilst the first quarter GDP report will be weak, this is likely only temporary with the current quarter already looking stronger.

Argentine stocks rally over 14 percent

From their low on Tuesday afternoon, after the government announced it will be approaching the IMF for an aid package. Argentina’s central bank recently raised interest rates to 40 percent and have spent \$5 billion in an effort to support the peso. Although an IMF deal could halt the damage, it is seen as a controversial move as the Fund is blamed for causing the country’s 2001 economic crisis.

US crude closed above \$70 for first time since 2014

After President Trump withdraw from the 2015 Iranian nuclear accord. Fresh US sanctions on Iran, OPEC’s third largest exporter, will further reduce the global oil supply at a time when OPEC are tightly controlling the market with the aim of pushing international prices above \$80 a barrel. WTI and Brent crude closed the week at \$70.70 and \$77.12 a barrel, respectively.

IN OTHER FINANCIAL NEWS :

- **Malaysian markets set for short-term volatility**, after the surprise election victory of Mahathir Mohamad over a ruling party that had held power for 60 years.
- **RBS fined \$4.9 billion by US regulators**, less than analysts forecasted, following a long running probe into the sale of financial products between 2005 and 2007.
- **Nestle to pay Starbucks \$7.2 billion**, for the exclusive rights to sell the US coffee chain’s packaged products, which includes Nespresso and Dolce Gusto brands.
- **Jes Staley of Barclays fined £1.1 million**, the first time UK regulators have penalized a sitting CEO of a major bank, after he tried to uncover a whistleblower.

The information transmitted is intended for the person or entity to which it is addressed and may contain confidential, privileged or copyrighted material. If you receive this in error, please contact the sender and delete the material from any computer.

To unsubscribe or change your details please contact your Asset Manager at Arlo Associates.