

Arlo Associates Weekly Market Summary

14th October 2018

INVESTORS SPARK MARKET SELL-OFF

With the S&P 500 falling over 5 percent across Wednesday and Thursday – the largest two-day decline since February. Several compounding issues decreased investor confidence, including the US trade conflict with China and signs of weakness in the global economy. US stocks are down significantly from recent highs, with the small-cap Russell 2000 approaching correction territory.

ITALIAN STOCKS DROP INTO A BEAR MARKET

Identified by a fall of 20 percent from a recent high, due partly to the global rout but also the government's refusal to compromise on their budget deficit plans that have been widely criticised by EU officials. Other European benchmarks suffered similar losses throughout the week with France's CAC 40 and Germany's DAX 30 down 5 percent a piece, whilst the FTSE 100 dropped 4.4 percent.

JAPAN'S STOCK MARKET DOWN 3.9 PERCENT

As measured by the blue-chip Nikkei 225 Stock Average which is down 7 percent from the 27-year high it set at the start of the month. The largest declines came from companies with the greatest exposure to China, with technology and industrials falling the most. On a positive note, investors believe that the third quarter earnings season will produce strong results across the economy.

OIL PRICES FELL OVER 4 PERCENT

The first loss in five weeks, with Brent crude temporarily dipping below \$80 a barrel midweek – although the global benchmark recovered to settle at \$80.43. Like most assets, oil was caught up in the sell-off with concerns of the global economy creating uncertainty about future energy consumption. Affirming these fears, both OPEC and the IEA lowered their global demand forecasts for this year and next.

IN OTHER FINANCIAL NEWS :

- **Brazilian shares rise on election outcome**, with the Ibovespa index up over percent on Monday, after Jair Bolsonaro won 46 percent of the first round of voting.
- **Turkey's inflation-fighting plan disappoints**, with investors concerned that 'encouraging' retailers to reduce prices by 10 percent will hurt corporate profits.
- **Venezuela's inflation rate hits 488,865 percent**, in the 12 months ending in September, as the oil-rich nation's economic collapse creates severe hyperinflation.
- **Prince Alwaleed's net worth falls 58 percent**, down to \$15.2 billion, after Saudi Arabia's richest man's stake in Kingdom Holdings fell 70 percent from its 2014 high.

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