



Arlo Associates Weekly Market Summary

27th November 2016

Good morning,

These were the top market stories from last week:

US markets continue to make record highs, led by expectations from investors that President-elect Trump will reduce regulation in several key industries (finance & pharmaceuticals), cut corporate taxes and boost infrastructure spending. The Dow Jones Industrial Average closed at 19,152, 1.28 percent up on the week and 4.47 percent higher since the presidential elections last month.

A “superfecta” was achieved by the US markets on Monday, the first time in 17 years, as all four major indices set records during trading. This rare event involved the Dow Jones Industrial Average, Standard & Poor’s 500 Index, Nasdaq Composite Index, and small-cap Russell 2000 Index all setting new highs.

The UK government will need to borrow £122bn more than previously forecast, with the impact of Brexit accounting for £59bn of that. In a statement widely criticised for being too pessimistic, the new Chancellor Phillip Hammond also announced that the UK would no longer be able to clear its deficit by 2020 and that due to Brexit, potential growth would be 2.4 percent lower than forecast.

The rally in Japanese equities continued for a third week, with the Nikkei 225 index up 2 percent and close to clearing its losses year-to-date. Equities were boosted by a weakening in the yen versus the dollar, continued expansion in the manufacturing sector and hopes of softening trade relations with Trump’s new administration.

Political uncertainty is weighing heavily on Europe’s financial stability, according to sources at the European Central Bank. The impact of Brexit, a constitutional referendum in Italy next week and elections in France & Germany next year could see European stock markets fall dramatically and worst-case scenario, create another debt crisis similar to the events of 2009.

Oil prices have fallen the most in two months, as Saudi Arabia pulled out of talks with non-OPEC producers, raising doubts that a proposed production cut can be agreed. WTI crude futures fell 4.3 percent to finish at \$46.06, with Brent crude ending 3.6 percent lower at \$47.24.

In other financial news;

- **Turkey's central bank has raised the weekly repo rate by 50 basis points**, the first hike in 3 years, as the lira comes under pressure following the US elections.
- **Over 100,000 Lufthansa passenger flights have been disrupted**, due to a strike by pilots stretching into the third day and leading to 2,600 flight cancellations.
- **Black Friday sales have hit records in the US**, with spending topping \$3.34bn on the annual shopping day after Thanksgiving.
- **UK travel-search website Skyscanner has been sold for £1.4bn**, to China's largest online travel firm Ctrip.
- **Japan's pension assets gained over \$21bn in the third quarter**, as the world's largest pension fund recorded quarterly growth of 1.8 percent, beating forecasts.

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