

# Arlo Associates Weekly Market Summary

5th February 2017



## US STOCKS ENDED THE WEEK FLAT

As an early fall caused by the negative sentiment of Trump's partial immigration ban was pared by a rally in the banking and pharmaceutical sectors. Drug companies were boosted by Trump's promise to lower taxes and expedite drug approvals, whilst financials were boosted by a potential rollback in the restrictive Dodd-Frank banking regulations signed by Obama in 2010.

## THE US ECONOMY ADDED 227,000 JOBS IN JANUARY

A four-month high, whilst wage growth was lower than expected at 2.5 percent – the lowest since August. This data, the last of the Obama administration, suggest that there remains slack in the US labour market and although it is still growing it is not tight enough yet to cause a significant boost in hourly wages. -

## THE UK ECONOMY IS EXPECTED TO GROW BY 2 PERCENT THIS YEAR

Up from a previous forecast of 1.4 percent, as the Bank of England factors in strong domestic demand and removes much of the pessimism surrounding Brexit. The Bank also expects the saving's rate to fall to 4 percent, the lowest in over 50 years, and has kept the interest rate at 0.25 percent for at least another month.

## JAPANESE EQUITIES FELL OVER THE WEEK

Leading the Nikkei 225 to a 1 percent loss year-to-date, as the yen strengthened against the dollar to ¥113/dollar. The Bank of Japan finished its 2-day meeting by maintaining its current monetary policy; buying ¥80 trillion per year of government bonds, keeping short-term interest rates at -0.1 percent and capping the 10-year government bond yield at zero percent.

## THE EXPANSION OF CHINA'S MANUFACTURING SECTOR SLOWED IN JANUARY

Indicating that the trend that led 2016 to be the country's worst year for growth since 1990 is set to continue. Whilst the manufacturing purchasing managers' index declined from December to January, the figure still shows growth rather than contraction and indicates a robustness in the sector - albeit weaker than in previous years.

## OIL PRICES ROSE marginally OVER THE WEEK

Although investors continue to trade within a narrow band as any breakout higher, caused by the global output agreement or possible Iranian sanctions, is threatened by US shale ramping up production. The market will need to wait on a significant catalyst either way. Brent crude ended the week at \$56.81 a barrel, with WTI crude at \$53.83.

## IN OTHER FINANCIAL NEWS :

- **Russia kept interest rates at 10 percent**, citing mounting pressure of inflation missing the 4 percent target due to a strengthening of the dollar in recent months.
- **The IMF urged Turkey to protect the lira by raising rates**, after the currency fell 25% against the dollar in 12 months as the country battles huge economic threats.
- **US retailer Nordstrom has cut ties with Ivanka Trump**, citing poor sales of the brand owned by Trump's daughter which has been boycotted by consumers.
- **Snapchat's upcoming IPO values the company at \$20-25bn**, despite the company never making a profit and a 2016 loss of \$515m.
- **The US Department of Defence is to buy \$8.5bn worth of jets**, and for the first time each jet will cost less than \$100m to purchase from Lockheed Martin.

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.**