

Arlo Associates Weekly Market Summary

12th February 2017

US INDICES CONTINUED THEIR ADVANCE

With all but the small-cap Russell 2000 reaching new highs over the week. Investor sentiment was boosted by Trump promising “something phenomenal in terms of tax” that will be announced in the coming weeks, as well as the president’s intention to break one of his campaign promises by cutting back on entitlement programs, which could include Medicare and Social Security.

EUROPEAN STOCKS WERE DRIVEN HIGHER

With the Euro STOXX Europe 600 up almost 1 percent, as better-than-expected earnings reports from key companies improved sentiment. Political uncertainty surrounding the French elections was pared by solid growth data from Germany, whilst Greece made progress in talks with their creditors – this was reflected in the yield on 10-year Greek bonds falling to 8.9 percent.

JAPAN’S NIKKEI 225 ROSE 2.44 PERCENT OVER THE WEEK

Sending the major stock index into positive territory for the year, whilst the yen fell to ¥113.5 per U.S. dollar. There were mixed signals following the release of key data sets, with real pay – adjusted for inflation - declining for the first time in 11 months. On a brighter note, the Bank of Japan have increased their fiscal 2016 growth projections from 1.0 to 1.4 percent.

CHINA’S CURRENCY RESERVES FELL FOR A SEVENTH MONTH

And are now valued under \$3 trillion for the first time 6 years. Last month the ‘war chest’ fell by \$12.3bn, as the government attempts to support the yuan against a strengthening dollar. January’s larger-than-expected drop has been attributed, in part, to high demand for foreign currencies during China’s Lunar New Year holiday.

OIL PRICES FINISHED FLAT

As a midweek fall caused by strong growth in a key indicator of US shale production was met by positive signs that the OPEC production cut is dealing with the supply overhang. Over 1.5m barrels of oil per day were cut from global production in January, according to the International Energy Authority.

IN OTHER FINANCIAL NEWS :

- **The UK’s manufacturing sector grew more than expected in December**, up 2.1 percent, as the economy continues to defy concerns surrounding Brexit.
- **The Mexican central bank has raised rates to 6.25 percent**, up 50 basis points, in an effort to strengthen the currency against the dollar and stave off high inflation.
- **Outflows from emerging markets will total \$489bn this year**, although this will be \$560bn outflows from China matched against \$70bn inflows to other nations.
- **India has kept interest rates unchanged at 6.25 percent**, a move that surprised some economists who expected rates to be cut to stimulate growth.
- **Twitter shares fell 12 percent**, as the company announced that fourth quarter losses in 2016 were \$167m versus \$90m in the same period a year earlier.

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