

Arlo Associates Weekly Market Summary

30th April 2017

US EQUITIES RALLIED OVER THE WEEK

With the Nasdaq breaking above 6,000 for the first time, driven higher by the result of the first round of French elections, increased M&A activity and positive corporate earnings. However, US economic growth fell to an annualised rate of 0.7 percent in the first quarter, the lowest rate in 3 years, which will be unwelcome news for President Trump who promised 4 percent annual growth.

EUROZONE INFLATION HIT 1.9 PERCENT IN APRIL

Up from 1.5 percent in March and close to the ECB's 2 percent target, due mainly to higher energy prices. The bank's monetary stimulus program will remain unchanged, including zero percent interest rates. Investors welcomed this news alongside the first-place finish of pro-EU Macron in the French elections, although anti-EU Le Pen will join him in the second round of voting.

JAPANESE EQUITIES RALLIED EARLY IN THE WEEK

With the Nikkei 225 up 3.1 percent and pushing the index into positive territory for the year. The rally was driven by positive global influences, growing risk appetite and a weaker yen. At its monthly meeting, the Bank of Japan maintained its current stimulus program whilst raising its fiscal forecast for the year.

THE CANADIAN DOLLAR HIT A 14-MONTH LOW

Following threats by President Trump to terminate the North American Free Trade Agreement – although he has now agreed to renegotiate it instead – as well as data showing economic growth stalled in February. The US has already attacked Canadian imports by imposing a preliminary 20 percent tariff on lumber, which could be broadened to include dairy imports.

OIL PRICES REMAINED AT A 4-WEEK LOW

With WTI crude dipping below \$49 a barrel on Thursday, due to fears of fresh supplies and weakening demand. Two Libyan oilfields, which can produce 400,000 barrels a day, were restarted after protests ended that had blocked pipelines. Gasoline demand is also down 1.8 percent on last year, with gasoline futures hitting a 'seasonal' 8-year low.

IN OTHER FINANCIAL NEWS :

- **UK growth slowed to 0.3 percent in the first three months of 2017**, the lowest rate in a year, due to a substantial slow-down in the service sector.
- **The Turkish lira rose to its highest level this year**, as the central bank surprised the market by raising its liquidity lending rate by 50 basis points to 12.12 percent.
- **Tunisia raised its benchmark interest rate to 4.75 percent**, in an effort to support the dinar which has fallen 5.4 percent against the dollar in 2 weeks
- **Sugar prices have had their worst run in 55 years**, falling for 12 consecutive weeks, as a surplus hits the markets and Indian imports haven't materialized.
- **Google & Facebook were allegedly scammed out of \$100m**, by a Lithuanian man who was arrested in March for running a sophisticated email phishing scam.

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