

Arlo Associates Weekly Market Summary

7th May 2017

US EQUITY INDICES CONTINUE TO RALLY

With the major US benchmark S&P 500 and the technology-heavy Nasdaq Composite reaching record highs mid-week. Apple was a big contributor to the move, with a 3.7 percent increase despite missing quarterly revenue estimates. Risk appetite weakened during the week as investors took \$6.4bn out of a major S&P500 ETF and added \$9.6bn to a global bond tracker.

THE US ECONOMY ADDED 211,000 JOBS IN APRIL

A bigger-than-expected recovery from March's disappointing 79,000 figure. The unemployment rate also dropped to 4.4 percent, the lowest rate in a decade, whilst average-hourly earnings rose 2.5 percent year-on-year. These figures will support the Fed's decision if they decide to raise rates at their next meeting in June.

THE UK RECORDED BETTER-THAN-EXPECTED GROWTH IN APRIL

With a reading from the Markit/CIPS UK Service PMI report at 55.8 over the month – a reading above 50 indicates growth – up from 55.0 in March. The boost was driven mainly by higher demand for goods & services from overseas, due to a weaker pound, which offset a fall in domestic consumer spending.

JAPANESE EQUITIES POSTED HEALTHY GAINS

With the benchmark Nikkei 225 up 1.3 percent over the holiday-shortened trading week. Prime Minister Abe announced plans to delay a sales tax hike from 8 to 10 percent, which was delayed twice before, focusing instead on growth rather than fiscal tightening. Fitch Ratings confirmed that they would not use the delay as a reason to downgrade Japan's sovereign debt.

OIL PRICES FELL TO THE LOWEST LEVEL IN 6 MONTHS

With WTI crude below \$45 a barrel mid-week before recovering slightly to finish at \$46.22. The decline over the last fortnight is attributed to fears that OPECs production cut is not big enough to overcome a rise in US shale production, as well as weakening demand from China. Global benchmark Brent crude finished below \$50 a barrel for the first time this year.

IN OTHER FINANCIAL NEWS :

- **Yields on Greek bonds fell to a 2½ year low**, as a deal was agreed between Greece and its creditors to unlock the next disbursement from its bailout program.
- **Puerto Rico is seeking to restructure \$51bn of its debt**, in what would be the largest restructuring of municipal debt in US history.
- **The US-Mexico trade deficit hit a 10-year high**, with the gap reaching \$7bn in March, as a weaker peso boosted demand for Mexican imports.
- **Johnson & Johnson has been ordered to pay \$110m**, to a woman in the US who claims that using the company's talc products caused ovarian cancer.
- **China's first passenger plane took flight**, produced domestically by state-owned Comac it demonstrates the country's intentions to enter the global aviation market.

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