

Arlo Associates Weekly Market Summary

28th May 2017

THE S&P 500 AND NASDAQ INDICES REACHED RECORD HIGHS

With many analysts attributing the gains to a lack of news, either economic or political, which helped improve investor sentiment following the recent controversy between Trump and the FBI. Late in the week it was announced that US economy grew at an annual pace of 1.2 percent in the first quarter of 2017, revised up from 0.7 percent.

THE FTSE 100 INDEX CLOSED AT AN ALL-TIME HIGH

Ending Friday trading at 7,547.63, as pre-election polls in the UK showed Labour narrowing the gap with the Conservatives. This news sent sterling to a two-month low against the dollar, initially falling below \$1.28, which traditionally supports the local equity markets as UK based companies benefit from sales in other currencies, in particular the greenback and euro.

S&P PUT 38 OF BRAZIL'S BANKS ON NEGATIVE WATCH

Meaning their ratings could be lowered, following the accusations of bribery against President Michel Temer. The credit rating's agency also put the country's sovereign credit ratings on negative watch. However, in a contrarian move, institutional investors poured \$750 million into Brazilian equities after Brazil's Bovespa index fell 9 percent.

MOODY'S HAS DOWNGRADED CHINA'S CREDIT RATING TO A1

Down one notch from Aa3, the first cut of the country's rating since 1989. Moody's noted China's economy-wide debt will continue to rise over the coming years, despite the efforts of the government to reform the financial system. The rating's agency also downgraded Hong Kong only hours after announcing China's downgrade.

OIL PRODUCTION CUTS HAVE BEEN EXTENDED UNTIL MARCH 2018

As agreed when OPEC and non-OPEC countries met in Vienna on Thursday, however oil prices subsequently fell 5 percent on Friday as investors had hoped the cuts would go further. The current cut of 1.8mn barrels of oil a day only equates to 2 percent of global production, which has been criticised by analysts as not going deep enough to make a real impact.

IN OTHER FINANCIAL NEWS :

- **Moody's upgraded Abu Dhabi's credit rating to stable**, from a negative rating, in response to growth prospects and a 23 percent cut in government spending
- **China's industrial profits rose 14 percent last month**, up by \$84bn, due to better pricing and improving global trade that boosted demand.
- **UK solar produced 8.75 gigawatts at 1pm on Friday**, breaking the record for the most electricity produced by solar and satisfying 24 percent of the UK's needs.

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