

Arlo Associates Weekly Market Summary

11th June 2017

UK EQUITIES ROSE WHILST THE STERLING FELL

As the snap election on Thursday saw the ruling Conservative party lose its majority. The FTSE 100 gained 1 percent following the result, due mainly to the pound weakening against the dollar – the sterling initially fell over 2 percent before finishing the week 1.6 percent lower at \$1.2738. Previous hung parliament's in 1974 and 2010 have seen a sell-off in the weeks following the result.

US MARKET VOLATILITY HIT A 23-YEAR LOW ON FRIDAY

As measured by the CBOE S&P 500 Volatility Index – also known as the VIX. Traders had hoped that James Comey's testimony to the Senate, the snap election in the UK, or political tensions in the Middle East, would prompt the return of volatility, however these seemed to have no impact as 'fear in the market' declined to the lowest level since December 1993.

QATAR'S STOCK MARKET FELL 7 PERCENT OVER THE WEEK

Losing \$11bn in value by Tuesday, following the decision by several of its neighbours to cut ties with the Gulf nation. Saudi Arabia, the UAE and Egypt, amongst several others, took the unprecedented step due to Qatar's alleged support of terrorist organisations, including the Muslim Brotherhood. S&P Global Ratings downgraded the country by one notch and put them on a negative watch.

THE BANK OF JAPAN'S ASSETS HAVE RISEN ABOVE 500 TRILLION YEN

Approximately 4.6 trillion US dollars, as the central bank continues its aggressive quantitative easing program. Economists are concerned about the sustainability of this situation as the value of assets are now worth around 90 percent of Japan's total GDP. For comparison, the US Fed and European Central Banks hold 23 and 28 percent of GDP, respectively.

OIL PRICES FELL FOR THE THIRD CONSECUTIVE WEEK

Following the unexpected news from the EIA that inventories increased for the first time in nine weeks. Analysts had predicted inventories to fall by 3-4 million barrels, however the EIA reported a 3.3 million increase which sent oil prices tumbling. WTI crude finished 3.8 percent lower at \$45.83 a barrel, whilst Brent crude ended 3.6 percent down at \$48.15.

IN OTHER FINANCIAL NEWS :

- **Mexico's peso rose to the highest level since the US election**, following a win for the ruling party in the State of Mexico and an agreement on sugar trade with the US.
- **The ECB has raised its growth forecast for 2017**, from 1.8 to 1.9 percent, and will keep interest rates on hold as it expects inflation to hit its 2 percent target.
- **Germany's tax office may have been deprived of €32bn**, as the biggest financial scandal in the country's history was uncovered over the week.
- **Jeff Bezos' fortune fell \$2.8bn on Friday**, as shares in Amazon fell 3 percent and meant Bezos moved back into 3rd place as the world's richest person.
- **Meanwhile, Jack Ma's fortune rose \$2.8bn on Friday**, as a positive sales outlook drove the share price of Alibaba up 13 percent.

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