

# Arlo Associates Weekly Market Summary

9th July 2017

## THE NEWS THAT THE US ECONOMY ADDED 222,000 JOBS IN JUNE

Helped the stock market recover from its worst daily decline since May on Thursday. The decline was driven by several factors, including the anticipation of a third rate hike this year by the Fed, following the release of their June meeting minutes, tapering back of the monetary easing policy in the ECB, and geopolitical instability surrounding North Korea.

## YIELDS ON EUROPEAN SOVEREIGN DEBT HIT MULTI-MONTH HIGHS

With the German 10-year Bund rising to an 18-month high of 0.57 percent, as minutes from the ECB's latest meeting indicated that policymakers are considering the first steps in reducing monetary stimulus. However, the ECB targets inflation rather than growth, and whilst inflation remains below their target they will be reluctant to cause any severe market moves.

## THE POUND FELL 0.6 PERCENT AGAINST THE US DOLLAR ON FRIDAY

And 0.45 percent against the euro, as official figures showed UK production and construction fell 1.2 percent in the three months leading up to June. The downward pressure on sterling was compounded by upward pressure for the greenback and euro on the anticipation of tightening monetary policy from the Fed and ECB in the near future.

## CHINA'S FOREIGN CURRENCY RESERVES ROSE TO \$3.057 TRILLION

The fifth consecutive monthly increase, demonstrating that efforts by the government to stop money leaving the country are working – at least in the short-term. The current level is still significantly below the \$4 trillion peak in June 2014, before the Chinese central bank spent billions preventing the yuan from depreciating too quickly against the dollar.

## WTI CRUDE OIL PRICES FELL ALMOST 4 PERCENT OVER THE WEEK

With Brent crude down 2.5 percent, the sixth weekly decline for both benchmarks out of the last seven weeks. The fall in prices follows concerns that the relentless supply of oil continues, with US production rising to 9.34m barrels a day whilst OPEC exports hit a 2017 high, despite their global output cut. WTI ended the week at \$44.23 a barrel, with Brent at \$47.01.

## IN OTHER FINANCIAL NEWS :

- **Brazil's inflation rate turned negative in June**, as average prices fell 0.23 percent, giving the central bank room for more rate cuts to spur economic activity.
- **The IMF lowered Vietnam's growth forecast to 6.3 percent**, down 20 basis point, citing a weakening of the oil sector in the first quarter of 2017.
- **Fitch has upgraded Iceland's sovereign rating to A-**, with a positive outlook, citing the country's 'strong economic growth' as the key factor in the decision.
- **Egypt has raised the deposit rate to 18.75 percent**, the highest level on record, in an effort to curb the nation's 30 percent year-on-year inflation rate.
- **Samsung reported record \$12bn profit in the second quarter**, up 72 percent on last year, as the tech giant benefits from increased sales of its Galaxy 8S device.

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