

Arlo Associates Weekly Market Summary

23rd July 2017

US BENCHMARKS CONTINUED TO HIT RECORD HIGHS

With only the Dow Jones Industrial Average bucking the trend. The Nasdaq Composite outperformed, gaining 1.19 percent, driven higher by a strong earnings report from Netflix, who now have over 100 million global subscribers. Year-to-date the Nasdaq is up 18.66 percent, with the S&P500 and Dow Jones up 11.67 and 10.67 percent, respectively.

EUROPEAN EQUITIES GENERALLY DECLINED OVER THE WEEK

Led lower by the strengthening of the Euro which puts pressure on foreign earnings for European companies – the Euro was up around 2 percent against its major peers. The ECB also kept its monetary stimulus program unchanged for another month, as the central bank is reluctant to derail the positive progress the economy has made in recent months.

THE BANK OF JAPAN HAS EXTENDED ITS INFLATION TARGET FOR A SIXTH TIME

With it now expecting to hit the 2 percent target in fiscal year 2020. This announcement was widely predicted by economists as the bank has previously acknowledged that further stimulus measures would be needed to achieve its goals. In other news, Japanese exports in June rose 9.7 percent year-over-year, above the market estimate of 9.5 percent.

CHINA'S GROWTH REACHED 6.9 PERCENT IN THE SECOND QUARTER

Which follows the same figure for the first quarter and puts the country on a strong foundation to beat its 6.5 percent target for this year. Economic growth over this period was fuelled by strong industrial production which in turn was reacting to increased demand in both domestic and foreign markets for Chinese products.

OIL PRICES FELL 2.5 PERCENT ON FRIDAY

Wiping out the early week gains, as a report from a tanker-tracking firm indicated that OPEC supply had increased by 145,000 barrels per day in July – the main contributors to the increase were Saudi Arabia, the United Arab Emirates and Nigeria. WTI crude ended the week 1.66 percent lower at \$45.77 a barrel, with Brent crude down 1.74 percent at \$48.06.

IN OTHER FINANCIAL NEWS :

- **S&P Global Ratings raised Mexico's outlook to stable**, and reaffirmed its BBB+ credit rating, citing their expectation that country's debt burden will not worsen.
- **South Africa's central bank cut interest rates**, in a move that surprised markets, as the bank attempts to keep the country from retreating back into a recession.
- **South Korea's KOSPI index hit eight new highs in nine trading days**, driven by strong performance of domestic companies that attracted foreign investment.
- **The IMF lowered Saudi Arabia's growth forecast to 0.1 percent**, down from 0.4 percent for 2017, due to cuts in oil production and lower global crude prices.
- **Bank of America has chosen Dublin as its European base**, in order to service EU clients following Brexit, with Citigroup and Morgan Stanley looking at Frankfurt.

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