

Arlo Associates Weekly Market Summary

30th July 2017

US ECONOMIC GROWTH ACCELERATED IN THE SECOND QUARTER

Growing at an annualised pace of 2.6 percent, despite the IMF reducing its growth forecast for 2017 from 2.3 to 2.1 percent. Consumer spending was the biggest contributor, up 2.8 percent over this period, whilst businesses increased spending on equipment. Economists warn that the third quarter is likely to slow, as wage growth remains sluggish.

MOST MAJOR US INDICES DECLINED OVER THE WEEK

Although the Dow Jones bucked the trend by gaining 1.2 percent and setting a new all-time high on Friday, helped by Verizon and Boeing. Other indices were impacted by negative sentiment towards the healthcare sector; firstly, by poor clinical test results for AstraZeneca's new cancer drug, and then uncertainty over the potential changes of the Affordable Healthcare Act.

EUROPEAN BENCHMARKS GENERALLY FINISHED LOWER

As second quarter earnings reports failed to inspire investors. Despite one-third of companies reporting better-than-expected sales & earnings, the results compared poorly to previous quarters. At the end of the week, missed earnings from technology companies dragged the French and German indices lower, with further pressure coming from a stronger Euro.

SPAIN'S ECONOMY IS NOW AT ITS PRE-2008 CRISIS LEVEL

After recording 0.9 percent growth in the second quarter due to improved household spending and exports. Unemployment has also been falling over recent months, now at 17.2 percent from as high as 25 percent. In other European news, Greece has returned to the bond market for the first time in four years, selling 3bn Euros of five-year bonds at 4.625 percent.

BRENT CRUDE SURGED 9 PERCENT OVER THE WEEK

With WTI up 8.6 percent, on strong signals that the oil market is finally rebalancing. US crude inventories fell by 7.2 million barrels in the previous week due to heavy refining activity and an increase in exports. Additionally, Saudi Arabia promised to cut production in August to 6.6 million barrels per day, which is approximately 1 million barrels less than last year's average.

IN OTHER FINANCIAL NEWS :

- **Brazil's central bank cut rates to 9.25 percent**, down 1 percent, as inflation levels hit 3 percent – the lowest level in a decade.
- **A further £1.4bn has been put aside for the PPI scandal**, with Lloyds and Barclays increasing their compensation pots to £18.1bn and £9.3bn, respectively.
- **Air France-KLM will take a 31 percent stake in Virgin Atlantic**, which alongside Delta's 49 percent, will leave Richard Branson's Virgin Group with a minority stake.
- **Jeff Bezos briefly became the richest person on earth**, after Amazon's share price rose Thursday morning pushing the founder's wealth to a high of \$92.3bn.

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