

Arlo Associates Weekly Market Summary

6th August 2017

THE US ECONOMY ADDED 209,000 JOBS IN JULY

More than most economists had expected, whilst the unemployment rate dropped to 4.3 percent. Jobs growth came from a surge in hires at food & beverage companies, with the sector contributing 53,000 in July and 313,000 new jobs in the last year. The average monthly jobs growth this year is 184,000, which is in line with 2016 and puts the market at near full employment.

THE DOW JONES FINISHED ABOVE 22,000 FOR THE FIRST TIME

Hitting the milestone on Wednesday and then reaching further records on Thursday and Friday. The index, which has had 8 consecutive days of closing at record highs, was initially boosted by strong earnings reports, including Apple who surged 4.37 percent on Wednesday. The strong jobs reports then added momentum to increasing valuations later in the week.

STERLING FELL SHARPLY AGAINST THE DOLLAR

As the Bank of England's Monetary Policy Committee voted 6-2 in favour of keeping interest rates at 0.25 percent. They also lowered their UK growth forecast for 2017 from 1.9 to 1.7 percent. The weakened pound, closing the week at \$1.3043, boosted equity prices with the FTSE 100 up almost 2 percent over the week.

INDIA'S KEY LENDING RATE CUT TO A 6-YEAR LOW

With the Reserve Bank of India voting to reduce the key lending rate by 25 basis points to 6 percent. The central bank cited a steep fall in inflation and lacklustre industrial growth as key factors in the decision. The news helped the Nifty 50, India's benchmark equity index, gain for the fifth consecutive week and push it to a 23 percent return year-to-date.

CRUDE PRICES BOOKED A LOSS FOR THE WEEK

Despite a late surge in Friday trading, with WTI and Brent down 0.3 and 0.4 percent, respectively. Investors weighed a drop in the Baker Hughes rig count plus the strong US jobs report against rising global oil production and increasing OPEC exports – the latter to be discussed at OPEC's compliance assessment meeting this week.

IN OTHER FINANCIAL NEWS :

- **Eurozone growth hit 0.6 percent in the second quarter**, up 2.1 percent on a year earlier, driven by ultra-low interest rates and the ECB's aggressive QE program.
- **Chinese manufacturing and services sectors softened in July**, with the figure coming in under the median forecast, due to falling activity at smaller factories.
- **Toyota and Mazda are to build a \$1.6bn US car plant**, which is planned to begin production in 2021 and aims to employ 4,000 people and produce 300,000 units a year.

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