

Arlo Associates Weekly Market Summary

20th August 2017

US EQUITIES DECLINED AS THE WEEK PROGRESSED

With the S&P 500 and Dow Jones Industrial Average finishing down 0.65 and 0.84 percent, respectively. Despite a strong start to week, as North Korean tensions waned, the negative press surrounding Trump's response to the violence at the Charlottesville rallies, as well as the Barcelona terrorist attack, weighed on investor sentiment.

VOLATILITY RETURNED TO THE US MARKETS

Led by various geopolitical conflicts and supported by lower liquidity as traders took their August vacations. Thursday's drop in the Dow Jones ended a 63-day streak without a 1% daily swing either way – the longest streak since 1995. The S&P 500 index experienced both its largest daily gain in four months on Monday and its largest daily loss in three months on Thursday.

EUROPEAN EQUITIES WERE HIT BY THURSDAY'S TERRORIST ATTACK

Which killed 13 in the streets of Barcelona, with stocks of Spanish airlines and hotels hit the hardest. Anticipation that the US Federal Reserve might not raise rates again this year led the US dollar lower against the euro and further weighed on equities – a stronger euro makes European exports more expensive and non-euro revenue lower in euro-terms.

JAPAN'S ECONOMY GREW 1 PERCENT IN THE SECOND QUARTER

Higher than the 0.6 percent economists expected and marked the sixth consecutive quarter of growth – the longest streak in 11 years. Also, for the first time in 13 years, there were 1.01 permanent job openings for every applicant whilst the unemployment rate fell to 2.8 percent. This data suggests that real wages will rise in the near future.

OIL PRICES SURGED 3 PERCENT ON FRIDAY

Giving Brent crude a 1.2 percent gain over the week but was not enough for WTI crude which finished 0.6 percent lower. Friday's rally was driven by a weaker dollar, a drop in the US rig count and the general movement of investors into riskier assets. However, there remains concerns on rising US oil production and weaker Chinese demand that will weigh on prices in the short-term.

IN OTHER FINANCIAL NEWS :

- **UK visitor numbers were up 7 percent in June**, from the same month in 2016, as a weaker pound made the UK more appealing to foreign visitors.
- **Gold rose above \$1,300 an ounce on Friday**, the highest level since November, on safe-haven buying however finished at \$1,284 as geopolitical fears faded.
- **Tunisia's credit rating was downgraded by Moody's**, down from Ba3 to B1 (four below investment grade), as the countries fiscal strength continued to deteriorate.

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