

Arlo Associates Weekly Market Summary

7th January 2018

THE DOW JONES PASSED 25,000 FOR THE FIRST TIME

Only a year after breaking 20,000, as all major US indices got the year off to a flying start. Investor sentiment was boosted by better-than-expected manufacturing data for December, with US factory activity hitting a 13-year high whilst orders were the largest since 2003. Jobs data disappointed, as the economy added only 148,000 jobs in December, much less-than-expected.

ECB STIMULUS FALLS TO €30BN A MONTH

From a previous rate of €60bn, as the Eurozone's central bank begins tapering back its quantitative easing program. An ECB policymaker, Benoit Coeure, noted that their bond purchases could cease this year completely, although economists doubt this whilst inflation is below the bank's 2 percent target – EU inflation in December fell 10 basis points from November to 1.4 percent.

THE FTSE 100 HIT ANOTHER RECORD CLOSE

Its second successive record last week, on the back of positive forecasts for global growth in 2018 and momentum in US markets. Positive growth reports coming out of most major economies indicate the global economy will continue to grow this year, which is supportive to UK exports. A weaker pound, low interest rates and an accommodative economic policy also support equities.

JAPANESE STOCKS HIT 26-YEAR HIGH

As prices soared in the 2-day trading week following an extended break – the Nikkei 225 rose 4.2 percent with the TOPIX large-cap index up 3.5 percent. This rally comes on the back of forecasts from economists that Japan's economy will continue to expand this year. Sentiment was further boosted by a Morningstar survey finding Japanese equities as the top pick for fund managers.

OIL HAS ITS BEST OPENING WEEK SINCE 2013

With crude futures up 1.7 percent, after exporters and refiners drew down 7.42 million barrels from US stockpiles – the highest weekly amount since August. Also supporting prices was the political unrest in Iran and a decline in the weekly US rig count by Baker Hughes. WTI and Brent crude closed the week at \$61.44 and \$67.62 a barrel, respectively.

IN OTHER FINANCIAL NEWS :

- **Saudi Arabia and the UAE bring in VAT**, with the 5 percent levy added to most goods and services from January 1st, in an effort to boost government revenue.
- **Canada's jobless rate the lowest since 1976**, falling to 5.7 percent, after the economy added 79,000 more jobs in December – far more than expected.
- **The South Korean won hit a 3-year high**, measured against the US dollar, as North Korea's Kim Jong Un announced he was "open to dialog" with the South.
- **Angola intends to drop its dollar peg**, letting the kwanza float within a range, as Africa's 2nd largest oil producer tackles economic instability from lower crude prices.
- **Deutsche Bank to take a €1.5bn tax hit**, which will wipe out its 2017 profits, as the company revalued deferred tax assets following changes to the US tax code.

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