

Arlo Associates Weekly Market Summary

14th January 2018

US EQUITIES CONTINUED THEIR STRONG START TO THE YEAR

With the S&P 500 and Nasdaq indices closing lower only once in 2018, with the Dow Jones down just twice. Earnings season is underway with S&P 500 companies expected to report an 11.2 percent rise in profits for the fourth quarter of 2017. Also, for the first time since 2011, all 11 sectors of the S&P 500 will report an increase in both earnings and revenue.

UNEMPLOYMENT IN THE EU FELL TO 8.7 PERCENT IN NOVEMBER

A 9-year low, with the European Central Bank anticipating the tighter jobs market will put upward pressure on wages. However, the rate was far from equal across the 19-member bloc, with the lowest unemployment in the Czech Republic (2.5%) and Germany & Malta (3.6%), compared to Spain (16.7%) and Greece (20.6%)

THE BRITISH POUND ROSE TO \$1.37 AGAINST THE GREENBACK

Its highest level since the June 2016 Brexit vote, after it was reported that Spanish and Dutch ministers are supportive of a Brexit agreement that maintained close ties between Britain and the EU. UK inflation in December dropped to 3 percent, from a 5-year high of 3.1 percent in November, which was in line with forecasts that inflation will gradually slow over 2018.

JAPAN'S ECONOMY FORECAST TO GROW 1.3 PERCENT THIS YEAR

Down from 1.7 percent in 2017, according to the World Bank's semi-annual report. The deceleration is expected to be caused by the withdrawal of governmental fiscal stimulus and a reduction in exports, however the forecast remains positive for an economy that stagnated for over a decade. Equities declined over the week, with the Nikkei 225 losing 0.26 percent.

BRENT CRUDE ROSE ABOVE \$70 A BARREL ON THURSDAY

Hitting a 3-year high, after a surprise fall in US stockpiles. US inventories fell by almost 5m barrels, whilst production was down by 290,000 barrels a day to 9.5m. Despite the recent rise in oil prices, the UAE, Qatar and Oman are calling for output cuts to be maintained until the end of 2018. WTI and Brent crude closed the week at \$64.30 and \$69.87 a barrel, respectively.

IN OTHER FINANCIAL NEWS :

- **Global economy to grow 3.1 percent in 2018**, according to the World Bank, driven by better-than-expected investment, manufacturing and trade in 2017.
- **US credit card debt hits \$1.023 trillion in November**, after a \$11.2 billion rise over the month, beating the previous record set back in April 2008.
- **China's foreign exchange reserves rise to \$3.14 trillion**, up \$20.7 billion from November, the 11th consecutive month of gains for the country's war chest.
- **S&P Global Ratings affirms Abu Dhabi rating**, keeping sovereign debt at AA/A-1+, citing the government's large asset buffer to protect against oil price volatility.

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