

# Arlo Associates Weekly Market Summary

18th June 2018

## US INTEREST RATES RAISED TO 1.75-2.00 PERCENT

The highest level since 2008, after the Federal Reserve voted to hike the benchmark rate by 25 basis points. Policymakers also forecast two further hikes this year citing a solid job market and strong economic growth; the US economy is forecast to grow 2.8 percent this year, whilst the unemployment rate is expected to fall to 3.6 percent from its current rate of 3.9 percent.

## EUROPEAN INTEREST RATES TO BE HELD UNTIL MID-2019

The ECB pledged at their latest meeting, meaning the key lending rate will remain at zero percent for at least another 12 months. Conversely, the central bank announced it would be reducing the value of monthly asset purchases from €30 billion to €15 billion in October and will stop all purchases by the end of 2018. Since 2015, the ECB has bought €2.6 trillion of bonds.

## UK INFLATION HOLDS AT 2.4 PERCENT IN MAY

Remaining at a 1-year low for a second consecutive month, despite forecasts that rising oil prices would push the rate up to 2.6 percent. Although UK consumers will welcome this latest inflation reading, as living costs have risen significantly following the Brexit referendum, it will likely put pressure on the Bank of England to delay hiking interest rates this month as previously forecast.

## \$34BN OF CHINESE EXPORTS FACE 25 PERCENT TARIFF

With the US administration introducing the penalty on July 6th. Tariffs on another \$16bn of Chinese goods are under consultation and will be introduced at a later date. Donald Trump accuses the Chinese of stealing intellectual property from US companies. In retaliation, the Chinese government have announced their own 25 percent tariff on 659 US goods worth \$50bn.

## BRENT CRUDE FUTURES DECLINE TO A 6-WEEK LOW

After falling 4 percent for the week, as investors expect global producers will agree this week to boost output. Saudi Arabia and Russia are considering boosting their daily output by over 1 million barrels each to make up for the shortfalls from declining production by Iran and Venezuela. WTI and Brent crude closed the week at \$65.06 and \$73.44 a barrel, respectively.

## IN OTHER FINANCIAL NEWS :

- **Argentina's central bank President resigns**, Federico Sturzenegger was blamed for prematurely lowering interest rates as the peso tumbled 47 percent this year.
- **Volkswagen agree to pay €1 billion fine**, as the world's largest automaker accepts the German prosecutors claims of cheating diesel-emission regulations.
- **Rolls-Royce to cut 4,600 jobs over two years**, as part of a major restructuring that will initially cost \$500 million but will save over \$400m a year after completion.

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