

Arlo Weekly Market Summary

20th January 2019

US STOCKS MAINTAIN STRONG MOMENTUM

With the S&P 500 and Nasdaq indices up 6.54 and 7.87 percent respectively year-to-date, on the back of plans by China to eliminate its trade surplus with the US by 2024. To meet this ambitious goal, which stood at \$323bn last year, China will need to go on a buying spree of US imports over the next 5 years, although US officials are demanding that the trade surplus is cleared in only 2 years.

BRITISH POUND STRENGTHENS ON BREXIT DEFEAT

With sterling almost breaking the \$1.30 barrier midweek, after Prime Minister Theresa May's draft agreement for the UK to exit the EU was rejected 432 to 303 votes in the House of Commons. This outcome raises the possibility that Brexit could be delayed beyond the March 29th deadline or that a second referendum could be called, both of which are positive drivers for UK assets.

GERMANY'S ECONOMY GREW BY 1.5 PERCENT IN 2018

The slowest rate in 5 years, with the weakness in the global economy and new pollution standards in the car industry cited as the main causes of the slowdown. There was a risk that Europe's largest economy was headed for a recession - the result of two consecutive quarters of negative growth - however it narrowly escaped after the economy grew by 0.2 percent in the last quarter.

JAPANESE INFLATION DECLINES IN DECEMBER

Falling to 0.3 percent from 0.7 percent in November, as prices of housing, transport and food dropped in the month. The headline inflation rate is at the lowest rate since October 2017 and is well below the central bank's 2 percent target. The latest reading has forced the Bank of Japan to drop their inflation forecast for the 2019 fiscal year to 1.0 percent, from a previous figure of 1.4 percent.

OIL PRICES HIT 2-MONTH HIGH

With WTI up 3.3 percent on Friday to \$53.80 a barrel, as China makes a commitment to eliminate its US trade surplus. Oil prices have now risen for 3 consecutive weeks, after crashing in the last quarter of 2018, with both benchmarks gaining around 4 percent for week. Also helping boost prices was the release of data from Baker Hughes that showed the weekly US rig count had the biggest drop in 3 years.

IN OTHER FINANCIAL NEWS :

- **Turkey's stocks boosted by rate hold**, with the BIST 100 Index up 7.4 percent, as the central bank kept interest rates at 24 percent and settled fears of more instability.
- **Brazilians shares break record highs**, with the Bovespa Index up 2.6 percent for the week, as global investors' appetite for riskier emerging market equities grew.
- **US banks record \$100bn profit in 2018**, the first time the six largest Wall Street banks, including JPMorgan and BoA, have collectively achieved this milestone.
- **Tesla to cut 3,000 jobs**, which equates to about 7 percent of the workforce, as the electric carmaker aims to cut costs in response to their cars being "too expensive".

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