



# Arlo Associates **Weekly** Market Summary

20th May 2018

## US 10-year treasury yield hits 7-year high

After reaching 3.128 percent on Thursday, whilst the 30-year bond yield rose to its highest level since 2014. Treasury yields are being pushed higher by a tighter labor market as the unemployment rate holds at 3.9 percent, its lowest level since 1973. When workers are in high demand employers need to increase wages to attract staff, which boosts spending and, inevitably, inflation.

## The FTSE 100 index closes at record high

Ending Thursday above 7,787 points, after the pound continued to weaken against its major peers. Sterling finished the week below \$1.35, a significant fall from \$1.43 only a month ago, which boosted shares of companies that generate revenue abroad. Oil giants Shell and BP were given an additional push higher after Brent crude broke \$80 a barrel over the week.

## Japan's GDP shrinks after 2-years of growth

With the economy contracting 0.2 percent during the January-March period and delivering a blow to Prime Minister Shinzo Abe's economic policy – known as 'Abenomics'. Economists had forecasted the contraction as there were warning signs during the quarter, including an equity market sell-off, a stronger yen impacting exporters and stagnant private sector consumption.

## China anticipates long-awaited slowdown

With fixed asset investment last month growing at the slowest level in almost 20 years, whilst retail sales increased 9.4 percent year-on-year, the slowest pace in four months. Following the US-Sino talks, the Trump administration announced that China has committed to reducing the trade deficit by \$200bn by importing more US products, a claim that Chinese officials have denied.

## Brent crude rises above \$80 a barrel

The first time its breached this level since 2014, after OPEC committed to reducing their production further and raised their global demand forecast by 25,000 barrels a day. Although prices dipped on Friday, as concerns of rising US production persist, both oil benchmarks recorded a weekly gain. WTI and Brent crude closed the week at \$71.28 and \$78.51 a barrel, respectively.

## IN OTHER FINANCIAL NEWS :

- **NAFTA talks likely postponed until 2019**, after the US, Canada and Mexico missed the 17th May deadline to present a renegotiated agreement to US Congress.
- **IMF to approve \$2bn payment to Egypt**, part of a \$12bn loan deal, with the Fund citing accelerating growth and declining account deficit as factors in their decision.
- **Turkish lira falls a further 4 percent**, now 10 percent off against the dollar this year, after President Erdogan said he will take more control over monetary policy.
- **Indonesia hikes rates for first time in 4 years**, up 25 basis points to 4.5 percent, as the rupiah has weakened 3.5 percent against the US dollar so far this year.

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