

Arlo Associates Weekly Market Summary

22nd April 2018

80% of S&P 500 companies top estimates

Based on earnings per share, as reports for the first quarter started filtering in. General Electric, whose share price has fallen 52 percent in the last year, beat first quarter revenue expectations, whilst Morgan Stanley's results outperformed analyst forecasts. All major indices gained over the week, driven by positive economic data and the rally in oil prices which boosted the energy sector.

FTSE 100 posts fourth consecutive weekly gain

Its longest winning streak since January, after the pound fell sharply following comments by the Bank of England. Speaking in Washington, the bank's Governor Mark Carney warned that a May rate hike was not a foregone conclusion, as is widely expected. London listed multinationals benefit from a weaker pound as it boosts the relative value of foreign earnings.

Japan and China hold first economic talks in 8 years

A clear reaction to threats of a trade war with the US, although neither country publicly linked their meeting to Trump's protectionist policies. Despite a strained history, the two largest economies in Asia have reason to co-operate as Trump moves to impose tariffs on imports. Japanese stocks responded positively to the meeting with the Nikkei 225 up 1.8 percent for the week.

China's first quarter growth beats forecasts

With year-on-year expansion hitting 6.8 percent for the first three months of 2018 versus the official target of 6.5 percent. Consumer demand remained strong and contributed to three-quarters of this expansion as online retail sales and education investment rose. Activity is still expected to slow this year as the government aims to de-risk the over-leveraged economy.

Oil prices near three-year high

With the US benchmark close to \$70 a barrel, despite President Trump calling prices 'artificially very high'. Prices rose on the back of geopolitical instability and potential for OPEC to maintain production cuts well into 2019. US oil inventories fell below their five-year average for the first time in four years. WTI and Brent crude closed the week at \$68.06 and \$74.06 a barrel, respectively.

IN OTHER FINANCIAL NEWS :

- **Aluminum rallies 20 percent in two weeks**, whilst nickel and palladium are up 13 and 14 percent, respectively, following wide-ranging US sanctions against Russia.
- **Mexican peso falls almost 3 percent**, the worst weekly decline this year, as the latest presidential election poll put the populist left-wing candidate in the lead.
- **Turkish lira records biggest daily gain in a year**, up 2.2 percent on Wednesday, after President Tayyip Erdogan declared a snap election for June 24.
- **Wells Fargo fined \$1 billion by US regulators**, and must also reimburse all customers, due to breaches in its car insurance and mortgage lending units.
- **Deutsche Bank accidentally wires €28 billion**, although the recipient reversed the transfer, it raised serious concerns over the bank's risk and control processes.

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