

Arlo Associates Weekly Market Summary

22nd July 2018

US PREPARED TO TAX ALL CHINESE IMPORTS

By introducing tariffs on over \$500bn of goods, in an escalating trade war between the two countries. Trump also claimed that China and the EU are intentionally weakening their currencies, whilst he also criticised the Federal Reserve for tightening their own monetary policy – the recent strength of the US dollar has created a headwind for growth that Trump blames on higher interest rates.

S&P 500 COMPANIES TO HAVE GROWN 21 PERCENT

Over the last 12-months and based on the average estimate from industry analysts, as the reporting of quarterly earnings in the US enters its second week. If true, this would be only a slight decline from the 25 percent growth achieved from the first quarter reports. The overall market absorbed the trade war and earnings data with little impact, as all major indices finished flat for the week.

UK POUND FALLS THROUGH \$1.30 FLOOR

For the first time in 10 months, after retail sales came in below expectations and significantly reduced the possibility that the Bank of England will raise rates at their August meeting. Retail sales in June fell 0.5 percent from the previous month despite analysts forecasting a 0.2 percent rise, due in part to the World Cup and the unseasonably hot weather which may have deterred shoppers.

CHINA'S YUAN FALLS TO A 1-YEAR LOW

When measured against the US dollar, leading to criticism of currency manipulation by the US administration. Much of the weakness is due to the diverging monetary policies between the two central banks and whilst a weaker yuan supports China's huge export market, a run on the local banks could see a repeat of the 2015 devaluation that created short-term chaos in the global markets.

OIL ENDS THIRD CONSECUTIVE WEEK LOWER

Despite Saudi Arabia providing some price support after ministers said that they expect exports from the kingdom to be reduced in August, offsetting the oversupply in the market. Oil prices have been hit by fears of the US-led global trade war, which follows a similar trend across most major markets. WTI and Brent crude closed the week at \$68.26 and \$73.07 a barrel, respectively.

IN OTHER FINANCIAL NEWS :

- **Global economy to grow 3.9 percent this year**, according to the International Monetary Fund who also warned that a global trade war could cost \$430 billion.
- **UK government borrowing at 11-year low**, during the April-June period, whilst borrowing year-to-date came in at £16.8bn, almost 25 percent lower than last year.
- **Singapore data breach hits 1.5 million**, about a quarter of their population, with hackers targeting the patient's information from the government health database.
- **Investment in renewables fell 7 percent last year**, threatening global climate targets, whilst investment in fossil fuel energy rose for the first time since 2014.

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