

Arlo Associates Weekly Market Summary

24th June 2018

GLOBAL TRADE WAR WEIGHS ON US STOCKS

With most major indices down over the week, as Donald Trump considers adding additional tariffs to \$200bn worth of Chinese goods. The Dow Jones Industrial Average was hit particularly hard with its high ratio of industrials & exporters and is now the only major index in negative territory for the year. Conversely, the Nasdaq hit a midweek high before slipping into the red by Friday.

THE BANK OF ENGLAND REJECTS RATE RISE

As the Monetary Policy Committee voted 6-3 in favour of keeping the benchmark rate at 0.5 percent. Inflation remaining at 2.4 percent in May, a 14-month low, was a key factor in the vote. However, economists are forecasting that improving economic conditions could lead to a rate increase at August's meeting. The British pound rose above \$1.32 on the prospect of a summer hike.

THE EU INTRODUCES FRESH US IMPORT TARIFFS

With the new penalty coming into force on August 4th and will be charged on €2.8bn worth of goods. The majority of US goods targeted, including motorcycles, orange juice and whiskey, will incur a 25 percent tariff with footwear and washing machines receiving a 50 percent duty. The EU continue to denounce the Trump administration's trade war as going against 'all logic and history'.

CHINESE STOCKS APPROACH BEAR MARKET

Classified as a 20 percent fall from a recent high, with the Shanghai index losing 4.4 percent for the week and down 19 percent from its January high. Investors are concerned that the increasingly aggressively trade war with the US will compound China's slowing growth. Along with the \$200bn list of Chinese goods under threat, Trump has promised further tariffs if Beijing retaliates.

US OIL RISES 5.8 PERCENT FOR THE WEEK

Whilst Brent crude added 2.9 percent, as OPEC members commit to a smaller-than-forecast production increase. Oil ministers agreed to increase daily production by 1 million barrels a day, with approximately 700,000 added by OPEC and the remainder from non-OPEC countries, led by Russia. WTI and Brent crude closed the week at \$69.28 and \$75.55 a barrel, respectively.

IN OTHER FINANCIAL NEWS :

- **Greece extends €100bn debt by 10 years**, plus received a final €15bn in cash from its creditors, meaning the country will only have small payments until 2030.
- **MSCI includes Saudi Arabia in index**, plus reclassifies Argentina as an emerging market, which will increase foreign investment and boost equities in both countries.
- **General Electric is removed from Dow Jones**, after being in the blue-chip index since 1907, and will be replaced by drugstore chain Walgreens Boots Alliance.
- **Air Arabia admits \$336m exposure to Abraaj**, the embattled private equity firm, sending shares in the Sharjah based airline down 12 percent for the week.

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