

Arlo Weekly Market Summary

27th January 2019

IMF CUTS GLOBAL GROWTH FORECAST

Expecting overall economic growth to hit 3.5 percent this year compared to a previous figure of 3.7 percent, with Managing Director Christine Lagarde citing a number of high-level economic risks. These risks include the fallout from Brexit, the US-China trade war and the slowing Chinese economy, all of which increased volatility in developed markets and have raised the risk of further downward corrections.

US STOCKS END THE WEEK FLAT

With the S&P 500 finishing down 0.22 percent whilst the Nasdaq rose 0.04 percent, as investors absorbed the IMF's latest economic forecast and developments with US-China trade talks. Giving US equities a positive boost going into this week was the news that President Donald Trump has backed down to pressure and agreed to fund federal agencies for three weeks despite not getting funding for his wall.

GERMAN MANUFACTURING CONTRACTS IN JANUARY

With the HIS Markit's monthly index coming in at 49.9 compared to 51.8 in December – any reading below 50 indicates a contraction. Also, a leaked document from the economic ministry showed that they will cut their economic forecast for 2019 from 1.8 to 1.0 percent, citing a general slowdown in the global economy and a chaotic Brexit as the key drivers in changing their forecast.

BANK OF JAPAN KEEPS MONETARY POLICY UNCHANGED

Including holding short-term interest rates at -0.1 percent and continuing their ¥80 trillion a year bond buying program. The central bank also kept their annual ETF and REIT buying budgets at ¥6 trillion and ¥90 billion, respectively. Cuts were made across the board to growth and inflation forecasts, with the economy now expected to expand by just 0.9 percent this fiscal year.

OIL PRICES SLIP ON GROWING DRILLING ACTIVITY

With WTI crude down \$1 per barrel for the week, as the Baker Hughes US oil rig count rose by 10 - the weekly count of active US oil rigs is up 103 from the same time last year. Further downward price pressure came from a separate report from the Energy Information Administration that showed crude inventories rose to 8 million barrels, 9 percent above the normal seasonal limits.

IN OTHER FINANCIAL NEWS :

- **Brazilian shares make record highs**, with the Bovespa index up 1.6 percent for the week, as progress on pension reform could save up to \$300bn of government money.
- **Turkish shares rally on stabilisation hopes**, with the BIST 100 up 3.4 percent for the week, as investors welcome short-term stability on tighter monetary policy.
- **Bank of England rejects Venezuela's gold request**, with the country's central bank declining to release \$1.2bn in bullion to Nicolas Maduro's embattled government.
- **Egypt unlocks \$2bn loan from the IMF**, the fifth and final tranche of the loan programme that started in 2016, as the country makes progress on fiscal reforms.

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