

Arlo Associates Weekly Market Summary

27th May 2018

Most major US indices rose modestly

With only the Russell 2000 bucking the trend after a recent run that sent the small-cap index to record highs. The technology heavy Nasdaq outperformed, gaining over 1 percent for the week, due to the performance of chipmakers. Energy stocks fell along with oil prices, with Chevron and Exxon Mobil down 3.5 and 1.9 percent, respectively. Bank stocks were hit by falling Treasury yields.

European stocks fell over the week

With the STOXX 600 index breaking its longest winning streak in over four years, as investors reacted to political instability at home and abroad. In Italy, a populist and a right-wing party are likely to form a coalition which could be both anti-establishment and 'Eurosceptic', whilst globally, European markets reacted negatively to news that Donald Trump had called off talks with North Korea.

The FTSE 100 finished the week lower

With the UK's large-cap index down 0.6 percent, after investors reacted to the US calling off talks with Kim Jung-un. The week could have been worse for UK equities if the pound had not resumed its slide following comments by EU officials that the UK are 'chasing a fantasy' in talks and threats by the Bank of England that a 'disorderly' Brexit could lead to an interest rate cut.

Japan's Nikkei 225 fell over 2 percent

Breaking an 8-week winning streak, on fears that the Trump administration was considering a 25 percent tariff on imported cars. Honda and Toyota were both 6 percent lower by Friday's close, with Nissan off 3 percent. In more positive news, data for April, which is the first full month of US tariffs on aluminium and steel imports, showed Japanese exports had improved from March.

US oil prices tumbled 4.9 percent

The first weekly decline in a month, on fears of rising global production. OPEC and Russia have indicated that at June's meeting they could increase their production limit by 300,000 to 800,000 barrels a day, whilst in the US the number of rigs drilling rose by 15, the largest weekly increase in two months. WTI and Brent crude closed the week at \$67.50 and \$76.44 a barrel, respectively.

IN OTHER FINANCIAL NEWS :

- **Turkish lira falls another 5 percent**, now 25 percent lower year to date, despite the central bank raising its key interest rate by 300 basis points to 16.5 percent.
- **Samsung ordered to pay Apple \$539m**, the latest ruling in a long-running patent battle, after the South Korean firm was found to have copied features of the iPhone.
- **Fiat Chrysler recalls 4.8m US sold cars**, in response to concerns that a software defect could prevent drivers from turning off their vehicle's cruise control function.

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