

Arlo Associates Weekly Market Summary

28th October 2018

US INDICES DROP INTO CORRECTION TERRITORY

Classified by a 10 percent decline from recent highs, with only the Dow Jones Industrial Average avoiding this as large-cap utilities, real-estate and consumer staples held up better than other sectors. The tech-heavy Nasdaq dropped over 4 percent on Wednesday, whilst later in the week Google's parent company Alphabet and online retail giant Amazon both fell after they missed revenue forecasts.

US ECONOMY GREW AT 3.5 PERCENT IN THE THIRD QUARTER

Measured at an annualised rate, which is a slow-down from the 4.2 percent pace in the second quarter but higher than economists had forecast. The slowdown had been expected as exports declined after companies had boosted shipments earlier in the year to beat tariffs, however strong government and consumer spending helped support the economy over the three months.

NO-DEAL BREXIT COULD COST UK GROWTH 1.6 PERCENT

According to the National Institute of Economic and Social Research (Niesr), due to the impact of the UK reverting to the WTO's most-favoured-nation status. In contrast, Niesr's report forecast that leaving the EU with an agreement that maintained many of the current arrangements would help the economy grow 1.9 percent next year, up from the think tank's earlier target of 1.7 percent.

CHINA'S YUAN NEARS 10-YEAR LOW

With one dollar reaching 6.982 midweek and coming close to the psychological barrier of 7 yuan which was last crossed during the financial crisis a decade ago. Whilst a weaker currency helped pushed equities higher, with the Shanghai Composite index up 1.2 percent for the week, it could lead to large capital outflows which could destabilise China as well as compound economic fears across Asia.

OIL PRICES FALL FOR THIRD CONSECUTIVE WEEK

With WTI crude down 12 percent from the four-year high it hit earlier in the month, as bullish investors retreat. Earlier in the month prices had risen on forecasts that US sanctions on Iran would create a 1 million barrel a day hole in global output, however rising OPEC and Russia oil production, plus concerns of global growth and the US trade war, have led to fears of oversupply in the short-term.

IN OTHER FINANCIAL NEWS :

- **Italy's outlook cut to negative**, with S&P Global Ratings citing market unease as the key factor, although the country's credit rating escaped another downgrade.
- **Brazilian stocks survive the global sell-off**, with the Bovespa index rising over 1 percent, as markets priced in the victory of Jair Bolsonaro in the presidential election.
- **South African assets decline**, with stocks, bonds and the rand all falling, as investors anticipate that Moody's will cut the country's sovereign debt into junk status.
- **China created two new billionaires a week**, according to a report by UBS and PwC that analysed data from 2017, with the billionaires' joint wealth reaching \$1.12 trillion.

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