

Arlo Associates Weekly Market Summary

29th April 2018

US first quarter growth slows to 2.3 percent

Which beat analyst estimates but was a significant drop from the 2.9 percent recorded in the final quarter of 2017. The growth rate of consumer spending, which makes up for two-thirds of the economy, fell to 1.1 percent, the lowest rate in five years. Economists are forecasting a recovery in the second quarter as Trump's \$1.5 trillion income tax plan starts trickling into the economy.

All major US indices fell over the week

With the Dow Jones down 0.6 percent, as investors digested reports from 42 percent of S&P 500 companies. Markets declined early in the week on the back of negative results from Caterpillar and 3M. In the tech sector, Amazon shares hit a record high after the US online giant recorded a 43 percent year-on-year increase in quarterly revenue whilst quarterly profit doubled to \$1.6 billion.

The pound sterling tumbles to \$1.3798

From a recent high of \$1.4366, after the UK economy recorded its slowest growth since 2012. First quarter expansion fell to 0.1 percent, down from 0.4 percent in the previous quarter, due to a lacklustre manufacturing sector and construction output falling to 3.3 percent over the three months. The weaker pound boosted UK shares with the FTSE 100 up almost 2 percent for the week.

Japanese stocks rise for fifth consecutive week

With the Nikkei 225 up 1.4 percent, although all major indices remain in negative territory year-to-date. At the Bank of Japan's latest policy meeting, members voted 8-1 to maintain short-term interest rates at -0.1 percent. They also voted unanimously to maintain their asset purchase program, as a lack of wage inflation and general deflationary risks have not been solved.

Oil prices ended flat for the week

As investors weigh up the rising US rig count against the reintroduction of sanctions against Iran. By May 12th, Trump will have decided whether to abandon the Iran nuclear deal and reimpose sanctions, which will likely disrupt oil exports. In the US, the Baker Hughes oil rig count rose by 5 to 825. WTI and Brent crude closed the week at \$67.97 and \$74.64 a barrel, respectively.

IN OTHER FINANCIAL NEWS :

- **Yields on 10-year Treasuries rose above 3 percent**, the first time since 2014, which will increase borrowing costs for US companies and likely dampen equity prices.
- **South Korean currency and stocks rise**, with the KOSPI index up 0.7 percent for the week, after the two Korean leaders pledged to pursue denuclearization.
- **IMF & World Bank plan 2021 Africa conference**, the first on the continent since 1973, to mark the 60th anniversary of African nations joining both institutions.
- **Dubai welcomes 4.7m tourists in first quarter**, a record amount for the Emirate, with Russian and Indian tourists rising to 259,000 and 617,000, respectively.
- **Facebook's first quarter profit hits \$4.9 billion**, a 63 percent year-on-year increase, which sent shares in the company up 8 percent on Thursday.

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