

Arlo Associates Weekly Market Summary

29th July 2018

US SECOND QUARTER GROWTH HITS 4.1 PERCENT

The fastest rate of economic expansion since 2014, as companies rushed to export products before EU and Chinese tariffs took effect. As global trade uncertainty continues, economists are forecasting growth to slow significantly in the third quarter. Despite this, President Trump seized the opportunity to use this latest economic data release to declare his \$1.5 trillion tax overhaul a success.

EU AND US LEADERS PROPOSE ZERO TARIFFS

As well as removing subsidies and barriers that have impacted the \$1 trillion market between the two groups. The EU also agreed to buy billions of dollars of soy beans and natural gas. Already boosted by strong corporate earnings reports, European equities responded positively to easing trade tensions with the pan-European STOXX 600 index closing up 0.5 percent for the week.

JAPAN AND EU SIGN FREE-TRADE AGREEMENT

Which will cover goods & services that make up a third of world's gross domestic product. Both governments still need to vote in the new trade pact, however there is likely to be wide spread support as countries look to avoid harm from protectionist US policies. Amongst other exports, the new agreement would see tariffs removed on Japanese automobiles and European wines.

RENMINBI ENDS SEVENTH CONSECUTIVE WEEK DOWN

The worst losing streak in three years, with the Chinese currency now 8 percent lower against the US dollar since April. In recent weeks President Trump has accused the Chinese of devaluing their currency to hurt the US, however an annual report by the IMF found that the yuan is 'fairly valued' against the greenback and its loss is due mainly to diverging monetary policies.

OIL PRICES RISE FOR FIRST TIME IN FOUR WEEKS

As investors absorbed news of security concerns in the Middle East that could impact supply. Significantly, Saudi Arabia halted all shipments via the Red Sea shipping route of Bab el Mandeb, one of the busiest in the world, after Iranian-backed Houthi rebels attacked two tankers earlier in the week. WTI and Brent crude closed the week at \$68.69 and \$74.29 a barrel, respectively.

IN OTHER FINANCIAL NEWS :

- **Turkey holds key interest rate at 17.75 percent,** despite inflation sitting at 15.4 inflation and the lira having fallen 28 percent against the dollar year-to-date.
- **Slowest rise in UK's living standards since 2012,** as cuts in social welfare saw the incomes of the country's poorest families decline by as much as £150 a year.
- **\$120 billion wiped off Facebook's value,** after the share price plummeted almost 20 percent on news that the tech giant's second quarter earnings missed forecasts.
- **Amazon's share price hits record high,** pushing the online retailer's market value over \$900 billion, after releasing stronger-than-expected second quarter earnings.

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