

Arlo Associates Weekly Market Summary

30th September 2018

THE US FED HIKES INTEREST RATES

The third increase this year, with the benchmark federal funds rate up to a range of 2.00 to 2.25 percent and policymakers supporting a further rise this year. Chairman Jerome Powell cited the strength of the US economy and inflation remaining near the central bank's 2 percent target as key reasons for the increase, whilst 12 of 16 policymakers are now expecting another rate hike in December.

NASDAQ COMPOSITE UP WHILST OTHERS FALL

In a week that saw the debut of a new sector within the S&P 500 that contains some technology heavyweights. The tech-heavy Nasdaq posted a modest 0.7 percent gain, the only major index that rose over the week, after the S&P 500 created a new communication services sector that contains internet related firms such as Netflix, Facebook and Alphabet – parent company of Google.

ITALY AGREES 2.4 PERCENT 2019 BUDGET DEFICIT

Triple what had originally been planned, as the populist coalition government increases spending to meet campaign promises. This will put the government on a collision course with the EU who have urged the country to cut the deficit, whilst more spending will lead to a downgrade by the ratings agencies. Italy's FTSE MIB Index fell 4 percent and the euro dropped 1 percent over the week.

CHINESE SHARES GAIN FOR A SECOND WEEK

With the Shanghai Composite Index up 0.9 percent, as the latest round of US tariffs was overshadowed by proposals from major US index providers to include more yuan-dominated shares into their global portfolios. FTSE Russell and MSCI both unexpectedly announced plans to include more mainland stocks into the equity indices from next year, a welcome boost to foreign investor confidence.

BRENT CRUDE SETTLES ABOVE \$80 A BARREL

For the first time since 2014, as traders anticipated that US sanctions on Iran could create a huge shortfall in global supply and force the international benchmark to \$100 a barrel by year-end. Ironically, Donald Trump has urged global producers to pump more oil to avoid further price increases, however Saudi Arabia and their allies decided against boosting production at their meeting last week.

IN OTHER FINANCIAL NEWS :

- **IMF boosts Argentina bailout to \$57bn**, an increase of \$19bn on the original package, to help battle a recession and a peso that has weakened 50% this year.
- **India to grow by 7.3 percent in 2018**, outlined in a report by the Asian Development Bank that cited improved domestic demand and a revival in industrial growth.
- **Elon Musk investigated for securities fraud**, sending Tesla shares down 14 percent on Friday, following the founders' comments he would take the company private.
- **Petrobras agrees to a \$853m fine**, following a lengthy corruption case between Brazil's embattled state-owned oil company and authorities in the US and Brazil.

The information transmitted is intended for the person or entity to which it is addressed and may contain confidential, privileged or copyrighted material. If you receive this in error, please contact the sender and delete the material from any computer.

To unsubscribe or change your details please contact your Asset Manager at Arlo Associates.