



Arlo Associates Weekly Market Summary

18th September 2016

Good morning,

These were the top market stories from last week:

The US stock market was waking up after its traditional 'sleepy' summer period, with trading volume and volatility both increasing. The broad stock market was marginally up, **with the technology heavy Nasdaq Composite outperforming other indices**. Of relevance was a speech by the Fed's Lael Brainard regarding September's meeting, which implied that the Fed were not in any rush and that interest rates will remain unchanged this month.

The UK's Monetary Policy Committee has left interest rates unchanged at 0.25 percent.

Another rate cut following August's move from 0.5 to 0.25 percent, a new historic low and the first cut since 2009, wasn't anticipated by the markets. The release of better-than-expected short-term economic data appears to show that the UK economy has stabilised following June's Brexit referendum and that further stimulus is not required.

European equities and bonds dropped last week as uncertainty of global monetary policies weakened investor sentiment. **The European Stoxx 600 index fell 1.68 percent over the week**. The yields on German and UK 10-year government bonds hit their highest levels in three months as traders lost faith in the central banks' ability to combat slowing economic growth.

Japanese equities had another poor week, **with the Nikkei 225 falling 2.6 percent**. According to Bloomberg, almost half of economists surveyed believe that the Bank of Japan will increase its monetary easing program at its September meeting, with a further rate cut most likely.

Oil has fallen to a 1-month low on speculation that a global supply glut will persist following the resumption of shipments from Nigeria and Libya. An increase in political stability in both oil-exporting nations, following years of domestic conflict, has meant exports will be boosted in the coming weeks. **WTI crude closed the week at \$43.03 a barrel, with Brent crude at \$45.77.**

In other news:

- The US Department of Justice has announced that it is asking **Deutsche Bank for \$14bn** to end an investigation linked to the financial crisis in 2008.

- **Industrial production and retail sales in China** increased by 6.3 and 10.6 percent respectively, leading to speculation that short-term stimulus will not be required.
- Global asset manager Blackrock, along with several other institutional investors, are to **sue Volkswagen for €2bn** due to losses made following the emissions scandal.
- **Russia's central bank has cut its benchmark lending rate to 10 percent** from 10.5 percent, citing weaker inflation and a poor recovery from recession.
- **The UK government has approved the £18bn Hinkley Point nuclear power station** after imposing new safeguards to protect the national security.
- **Rating's agency Standard & Poor has cut Nigeria's credit rating to B**, citing poor oil production and a restrictive foreign exchange regime as the major concern.

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