



## Arlo Associates Weekly Market Summary

3<sup>rd</sup> October 2016

Good morning,

These were the top market stories:

**Market sentiment was largely dictated by Deutsche Bank last week**, as the German banking giant's shares hit a record low on reports that it had asked Germany's government to intervene in the proposed \$14 billion fine from the U.S. Department of Justice. The shares then rallied 14 percent on Friday on news that a settlement had been agreed at the reduced amount of \$5.4 billion, which would finally end a long running lawsuit involving mortgage-backed securities.

**US equities had a volatile week**, caused mainly by the evolving news regarding Deutsche Bank but also due to the market's re-assessment of recent central bank decisions and concerns that the UK's exit from EU is unlikely to be amicable. The Dow Jones Industrial Average and S&P 500 rallied on Friday after an early week fall, ending the week up 0.26 and 0.17 percent, respectively.

European markets finished the week lower despite Deutsch Bank's Friday surge, as financial stocks across the common market declined. On a more positive note, the rate of **Eurozone inflation hit 0.4 percent in September**, its highest level in two years, as the impact of low energy prices weakened. This figure is still significantly below the central bank's 2 percent target.

In the latest blow to the efforts of the Chinese government to attract foreign investment, **China A shares will not be added to either the FTSE Russell or MSCI global benchmarks**. Both index providers cited the market's lack of transparency and government intervention, however the MSCI was more positive, indicating that recent policy changes and further 'significant positive developments' could see the inclusion of China A shares next year.

Oil prices rallied last week on the news that OPEC had agreed to cut production to 32.5 million barrels a day, almost 750,000 less than recorded in August. The final output quotas will be finalised in November. **Brent crude closed the week 6.9 percent higher at \$49.06 a barrel.**

In other news:

- **The WTO cut its forecast for global trade growth from 2.7 to 1.7 percent** and predicted that for the first time in 15 years growth in trade will be lower than economic growth.
- Commerzbank, Germany's second-largest lender behind Deutsche Bank, **will cut 9,600 jobs and end its dividend payment for the first time next year.**
- **Mexico's central bank raised the benchmark interest rate by 0.5 percent** in an effort to stabilise the currency, which fell 4 percent against the US dollar in September alone.
- The British Banker's Association have found that in August **UK mortgage approvals fell to the lowest level in over 20 months.**
- A four-month tax evasion amnesty in India has recorded \$9.6 billion in undeclared income & assets, **and could raise \$4.5 billion in taxes & penalties for the government.**
- **Donald Trump posted a \$916 million loss in 1995**, according tax returns obtained by The New York Times, which could have allowed him to write-off \$50 million in taxes annually ever since.

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