



Arlo Associates Weekly Market Summary

9th October 2016

Good morning,

These were the top market stories:

The US economy added 156,000 in September, below the year's 180,000 average, whilst the unemployment rate rose slightly from 4.9 to 5.0 percent. The monthly payrolls report is an important barometer that the Federal Reserve uses to analyse the country's economic health. Although below average, 14 out of 15 primary dealers polled by Reuters believe the data is strong enough for the Fed to justify a rate hike in December.

US equity indices declined over the week, with the more volatile small-caps faring the worse whilst companies that pay high dividends suffered under the prospect of more competition from higher yielding bonds. The Dow Jones Industrial Average and S&P 500 fell 0.37 and 0.67 percent, respectively.

The British Pound fell 6% in just two minutes on Friday, before recovering to finish the week at \$1.24, a 31-year closing low. The "flash crash" pushed the pound to \$1.18, and was blamed on an algorithm that investors use to automate trading coupled with light Asian volume.

Yields on UK government bonds hit a fourth month high, as the UK Prime Minister, Theresa May, announced that Britain would begin the process of leaving the EU by March 2017. The sell-off of government bonds continued on the continent as investors digested the rumours that the European Central Bank could soon be tapering back their monetary easing policy.

Japanese stocks gained last week with the Nikkei 225 up 2.5 percent. This was mainly driven by a weakening yen versus the dollar, due to the prospect of a US rate hike later this year. In less positive news, the results of the Bank of Japan's Tankan report, a survey of business confidence from 10,000 businesses, fell to the lowest level since 2013.

The Chinese yuan has formally been given reserve status by the IMF, a significant milestone in China's economic standing. From October 1st, the currency will join the US Dollar, British pound, Euro and Japanese yen, in a basket that backs the Special Drawing Rights – an international reserve fund managed by the IMF.

In other news:

- **Deutsche Bank are to cut another 1,000 jobs**, adding to the 3,000 cuts announced in June and on the back of a multi-billion-dollar lawsuit from the US authorities.
- **India's central bank cut short-term lending rates to 2.5 percent**, citing a need for stimulus due to slowing economic expansion and weakening inflationary pressures.
- **Qatar Airways has ordered \$11.7bn of aircraft from Boeing**, as the airline becomes frustrated at the delays in deliveries from Boeing's main competitor Airbus.
- **UK's industrial output declined in August**, whilst the trade deficit widened. This has broken a run of positive post-referendum data and could impact a rate hike decision.

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