



Arlo Associates Weekly Market Summary

6th November 2016

Good morning,

These were the top market stories from last week:

US stocks declined for the 9th consecutive day on Friday, the longest losing streak since 1980 for the S&P 500 index, due to political uncertainty surrounding the US elections. A mid-week poll showed Donald Trump was marginally ahead for the first time in months which weighed on investor sentiment. The Nasdaq fell the most of the big US indices, losing over 3 percent over the week.

161,000 jobs were added to the US economy in October, whilst hourly wage growth jumped 2.8 percent year-on-year, the largest annual rise since 2009. This data illustrates the strengthening of the domestic job market and is likely to keep the Federal Reserve on track to raise rates at its December meeting.

The British pound rose to \$1.2550 and €1.1276, a four-week high, following the UK High Court's decision that the current government must gain Parliament's approval before starting the Brexit process. The government immediately appealed to the Supreme Court and Prime Minister Theresa May stated it would not derail her plans to negotiate the UK's exit from the European Union within the next two years.

The Bank of England unanimously voted to keep rates at 0.25 percent, as they forecast inflation to overshoot their 2 percent target in the first half of 2017. Inflation worries continue to weigh on UK bonds, with yields on 10-year gilts rising to 1.2 percent.

The Bank of Japan left rates unchanged at zero percent, and pushed back its forecast for hitting 2 percent inflation into the 2018 fiscal year. In welcome news, the manufacturing and services sectors rose in October, with the purchasing managers' index reading 51.4 and 50.5, respectively – a reading above 50 indicates expansion.

Oil fell almost 10 percent last week, suffering its biggest weekly drop since January, as tensions between major producers threaten a key pact on oil production. Saudi Arabia stated they will increase production if Iran refuse to cap its output. In the US, crude inventories surged last week and lacklustre demand weighed heavily on prices. Brent crude and WTI ended the week at \$45.58 and \$44.07 a barrel, respectively.

In other financial news;

- **Samsung are to recall 2.8 million US washing machines**, after models sold over the last 5 years were found to have doors that detached during use.
- **The Egyptian dollar fell 50% against the greenback**, following the government's decision to let the currency float freely in an attempt to strengthen the economy.
- **India has set rates between 5 and 28 percent for its Goods and Services Tax**, in an effort to streamline the current fragmented system into a single market.
- **The Reserve Bank of Australia has kept rates at 1.5 percent**, due to improving economic conditions in China and rising commodity prices.
- **South African assets strengthened last week**, as news broke that fraud charges had been dropped against the Finance Minister Pravin Gordhan.
- **Mark Zuckerberg's net worth dropped \$3 billion on Thursday**, as executives voiced concern that Facebook's growth rate is not sustainable.

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.