



Arlo Associates Weekly Market Summary

13th November 2016

Good morning,

These were the top market stories from last week:

Donald Trump's victory in the US election, which came as a surprise to most pollsters and commentators, had an impact on domestic and international assets around the world.

US equities rallied following the first speech by the president-elect in which he outlined a fiscal stimulus program that included restoring the nation's infrastructure and reaffirmed his 'pro-US business' rhetoric that helped win him the election. Financial and industrial stocks outperformed, whilst **the Dow Jones Industrial Average reached a record intraday high of 18,873**.

Fears of rising inflation and a growing deficit under Trump has pushed **yields on 10-year Treasury notes to 2.15 percent**, the highest level since January. Whilst increased volatility in the bond markets is expected following the Trump victory, markets are still pricing in a December rate move by the Federal Reserve.

The UK pound strengthened to \$1.2672 against the greenback, the highest level in five weeks, before settling the week at \$1.2596. The gain was credited to concerns on Brexit being put on the 'backburner' and optimism that the UK could agree a more positive trade agreement with a Trump administration.

Emerging markets suffered the most following the election, as fears that the protectionist trade policies promised by Trump will impact growth. The Mexican stock market fell 6 percent and the central bank is likely to raise interest rates by 100 basis points this week to secure the peso, which has fallen 13 percent against the greenback.

Japan's Nikkei 225 index finished 2.8 percent higher, following a post-election sell-off and a subsequent recovery. Counter to market expectations that investors would seek safe-haven assets, the yen declined against the dollar after Trump's victory to ¥106.65, which is positive news in Japan as a weaker currency should push up domestic inflation.

Oil prices fell 2.8 percent on Friday, after OPEC announced record output in October. The organisation produced a collective 33.64 million barrels per day, casting further doubt that a production cut is achievable or even enough to impact the oversupplied market. Brent crude and WTI ended the week at \$44.75 and \$43.41 a barrel, respectively.

In other financial news;

- **The IMF has approved a \$12bn loan to Egypt**, the biggest ever in the Middle-East, to restore the country's macroeconomic stability following years of political turmoil.
- **E-commerce giant Alibaba achieved a record 121bn yuan (\$18bn) in sales**, a 34 percent increase on last year, on the company's famous Singles Day event.
- **"A" shares of Berkshire Hathaway hit a record high of \$234,860**, beating the last high set in December 2014, after rising 9.5 percent on the back of Trump's victory.
- In a move to fight corruption and tax evasion, **the Indian government withdrew 500 and 1,000 rupee notes from circulation**, a surprise move that led to long queues outside banks.
- **Toyota has agreed to provide up to \$3.4bn**, to settle a federal class action suit brought by owners of US sold pickup trucks after the vehicles frames were found to rust through.

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