



Arlo Associates Weekly Market Summary

8th January 2017

Good morning,

These were the top market stories from last week:

US markets started 2017 strongly, with all major indices gaining during the shortened trading week. Market sentiment was boosted by positive data coming out of the manufacturing sector and the prospect of a strong year for corporate earnings. The Nasdaq outperformed its peers, gaining 2.56 percent over the week, whilst the Dow Jones Industrial Average narrowly missed its 20,000 milestone – reaching 19,999.63.

The US economy added 156,000 jobs in December, less than forecast, and the unemployment rate rose slightly to 4.7 percent. This is the last release of jobs data before the Obama administration makes way for Donald Trump, who has pledged to create over 25 million jobs over the next 10 years.

European equities followed their US cousins higher, with markets across the continent recording a week of positive returns. The rally was led mainly by the prospect that the US will hike interest rates several times this year and more-than-expected broker upgrades to European banks. The Stoxx Europe 600 index rose to a 12-month high, whilst the UK's FTSE 100 index reached consecutive records during the week.

Eurozone inflation rose to a three-year high, hitting 1.1 percent in December, due to an increase in energy prices over the month. The figure is still below the European Central Bank's 2 percent target, however it does indicate that inflation is heading in the right direction and could prompt a tapering back of the bank's monetary easing policies.

China's central bank raised the offshore yuan-lending rate, effectively the cost to borrow the currency overseas, to a record high. This adds to a growing list of initiatives the government is using to strengthen the currency, which has fallen following Trump's election victory, including tightening cross-border transactions and encouraging state-owned companies to sell foreign cash reserves.

Oil prices edged higher in the first week of 2017, driven by optimism that the agreed global output cut will solve the oversupply problem. Brent crude, the major benchmark for global oil prices, rose 0.44 percent over the week to finish at \$57.10, with WTI crude ending 0.5 percent higher at \$53.72.