

Arlo Associates Weekly Market Summary

15th January 2017

THE NASDAQ COMPOSITE INDEX ENDED AT A RECORD HIGH ON FRIDAY

The fifth record close of 2017, as the technology weighted index outperformed its peers. The Dow Jones Industrial Average and S&P 500 indices fell over the week, with investors taking a rest from the recent 'Trump trade'. Whether the rally resumes or begins to unwind will only become clear as the new President takes office later this week.

US FINANCIALS OUTPERFORMED LAST WEEK

With Bank of America, PNC Financial and Blackrock reporting better-than-expected profits, and JPMorgan Chase exceeding revenue forecasts. Financials have performed strongly since the election and are expected to continue this trend into 2017, as higher lending margins and deregulation under Trump's administration boost profits.

\$25 BILLION WAS WIPED OFF THE NINE LARGEST PHARMACEUTICAL COMPANIES

As Donald Trump accused them of 'getting away with murder' and vowed to 'create new bidding procedures for the drug industry'. Valuations recovered by the end of the week, however this demonstrates the short-term volatility that equity investors can expect from a Trump presidency.

THE FTSE100 INDEX CLOSED AT A RECORD HIGH ON FRIDAY

The 12th consecutive day it ended higher, as a weaker sterling boosted demand for UK multinationals – revenue earned outside of the UK is worth more when based back into the pound. Sterling continues to fall against the dollar and euro, having lost 20 percent and 13 percent, respectively, since the Brexit vote.

OIL PRICES POSTED THEIR WORST WEEK SINCE NOVEMBER

As traders raised concerns on a lack of hard evidence that OPEC members have reduced production and that increased US oil supply could offset any global output cut anyway. WTI and Brent crude ended lower at \$52.37 and \$55.45, respectively

IN OTHER FINANCIAL NEWS :

- **Germany's economy expanded at the fastest rate in 5 years**, with GDP growth reaching 1.9 percent on an annual basis last year.
- **China's foreign currency reserves fell \$41 billion in December**, which is less than the \$69 billion drop in November but the 10th consecutive month of declines.
- **Brazil's central bank cut interest rates by 0.75 percent**, a larger movement than expected, as the bank attempts to front-load its easing policy and boost the economy.
- **The Mexican peso fell to a record low**, despite the central bank spending \$2 billion a week to support the currency, as Trump continues to raise trade worries.
- **Tarkata will pay \$1 billion in penalties in the US**, as the Japanese carmaker pleaded guilty to concealing defects in its airbags.

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