

Arlo Associates Weekly Market Summary

26th February 2017

THE DOW JONES INDUSTRIAL AVERAGE OUTPERFORMED ITS PEERS

Managing on Friday its 11th consecutive record daily close – its longest winning streak in over 20 years. Bio-tech and technology shares weighed on the Nasdaq Composite, whilst the S&P 500 continued its run of record-low volatility, with the index not experiencing more than a 1 percent daily price move this year.

TIGHTENING OF US MONETARY POLICY IS ON THE HORIZON

According to the minutes of the Fed's Jan/Feb meeting. Although the continued improvement in the economy did not lead to a hike in interest rates at this meeting, economists believe an increase by June is inevitable and could happen as early as March. Adding weight to the Fed's confidence, US existing home sales and mortgage applications reached the highest level in a decade.

INVESTORS PUMPED \$1.1BN INTO EUROPEAN EQUITY FUNDS LAST WEEK

The 5th week of positive inflows into the continent. Despite concerns surrounding Brexit, Greek debt and a heavy calendar of national elections, investors appear to be optimistic that Europe's recovery is sustainable. This was supported by the release of an economic indicator that hit the highest level in 5 years and shows broad Eurozone strength.

JAPAN'S MANUFACTURING SECTOR EXPANDED FOR A 6TH CONSECUTIVE MONTH

With the Nikkei Japan Flash Manufacturing PMI reaching 53.5 in February compared to 52.7 in January – a reading above 50 indicates expansion. The Nikkei 225 index gained 0.25 percent over the week, and is up almost 1 percent year-to-date, whilst the yen weakened to ¥112.6 against the greenback.

OIL PRICES ROSE OVER THE WEEK

With WTI crude up 1.1 percent at \$53.99 a barrel, despite US drillers adding rigs for a 6th straight week and US crude inventories rising for a 7th consecutive week. These negative-price signals were matched by a report from the International Energy Agency finding average compliance with OPEC's production cut agreement at a record 90 percent.

IN OTHER FINANCIAL NEWS :

- **The Mexican peso rose to its highest level since the US elections**, as the Mexican central bank announced it will auction \$20bn in currency derivatives.
- **The Brazilian central bank cut interest rates by 75 basis points**, as it attempts to drag the country's struggling economy out of recession.
- **Germany's budget surplus rose to €23.7bn in 2016**, the highest level since 1990, as the country benefited from higher employment and increased tax revenues.
- **The Royal Bank of Scotland reported a loss of £9bn last year**, far higher than the £2bn loss in 2015 and the 9th straight year the bank has failed to make a profit.

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