

# Arlo Associates Weekly Market Summary

5th March 2017

## MOST US INDICES ENDED MARGINALLY HIGHER

As attention turned from corporate earnings to the political and economic landscape. Investors reacted positively to Donald Trump's first Congress address to both parties, despite being light on specifics, and were pleasantly surprised to see that a US manufacturing index reached its highest level in 3 years, settling fears that a strong dollar would impact competitiveness.

## THE FED RELEASED STRONG SIGNALS FOR A MARCH RATE HIKE

As economic data continues to confirm strong US growth and labour markets. Jobless claims fell to the lowest level since 1973, when the market was half the size, with 223,000 claims recorded in February. The potential for an earlier-than-expected rate hike drove two-year bond yields to a record high, although longer-term bonds were unaffected.

## EUROPEAN INDICES ENDED THE WEEK HIGHER

With the Euro Stoxx 600 reaching a 15-month high before retreating on the back of worse-than-expected corporate reports. Sentiment rose after February saw EU business activity at the highest level since 2010 and job creation rose to the fastest pace in seven-years.

## JAPANESE EQUITIES GAINED AND THE YEN WEAKENED

In a quiet week for Asian markets. Of note, Japan's Government Investment Fund, the world's largest pension fund, announced that it returned \$92bn in the final quarter of 2016, as Japanese stocks rallied and a fall in the yen boosted foreign investment in the three months leading up to December 31st.

## OIL PRICES FOUND SUPPORT DURING THE WEEK

As a rise in US shale production was matched by a weaker dollar and reports of almost 100 percent compliance of OPEC's production cut in February - although commentators are quick to point out that Saudi Arabia has done much of the heavy-lifting, decreasing production beyond their initial requirements to offset other member's non-compliance.

## IN OTHER FINANCIAL NEWS :

- **China has cut its growth rate this year to 6.5 percent**, down from the 7 percent set last year, as the country continues to battles its slowest growth in 26 years.
- **The Bank of Canada has kept interest rates at 0.5 percent**, despite the country recording a better-than-expected rate of economic growth and higher inflation.
- **Mexico's central bank lowered its growth estimate**, falling by 20 basis points from November's outlook, as Donald Trump threatens cross-border trade relations.
- **India's economy expanded more than expected in Q4 of 2016**, growing at an annual rate of 7 percent, and is expected to build on this in 2017.
- **Bitcoin is worth more than an ounce of gold**, for the first time in history, as demand has risen from Chinese customers looking to move money out of the country.

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