

Arlo Associates Weekly Market Summary

12th March 2017

THE US BULL MARKET MARKED ITS EIGHTH ANNIVERSARY LAST WEEK

During which time the S&P 500 index has more than tripled in value from the lows reached following the financial crisis. Despite reaching the milestone, equities have pulled back recently with the technology focused Nasdaq Composite and small-cap Russell 2000 off from their record highs by 0.9 and 2.5 percent, respectively.

INVESTORS HAVE LITTLE DOUBT THAT THE FED WILL RAISE RATES IN MARCH

With Bloomberg data putting the chance of a rate rise at 98 to 100 percent following strong jobs growth in February. The US economy added 235,000 last month whilst hourly earnings rose 0.2 percent and are on track to hit a 3 percent rise annually. The next Federal Reserve meeting will conclude on Wednesday 15th March.

THE EUROPEAN CENTRAL BANK HOLDS INTEREST RATES AT ZERO PERCENT

Whilst maintaining its current stimulus program at its March monetary policy meeting. ECB President Mario Draghi indicated that the central bank could be moving towards tapering back of its stimulus program and that after months of deflationary concerns, inflation last month reached 2 percent, above the 1.8 percent target set by the ECB.

UK EQUITIES BROKE A SEVEN-DAY LOSING STREAK ON FRIDAY

Driven higher by oil producers and BT Group, however still finished the week in the red. There was positive news for exporters, as Britain's trade deficit narrowed to £4.7bn in the 3 months through January. Demand for British exports have risen following the slump in the value of the pound since the result of the Brexit referendum.

WTI CRUDE FELL BELOW \$50 A BARREL FOR THE FIRST TIME SINCE DECEMBER

As the prospect of better exploration technology and improvements in US shale drilling will maintain supplies and therefore contain prices. US stock piles grew by 8.2 million barrels over last week alone, according to the US Energy Department. WTI crude closed at \$48.49 a barrel, over \$6 dollars lower than the price two weeks ago.

IN OTHER FINANCIAL NEWS :

- **China has set its 2017 growth target at 6.5 percent**, which is a slight reduction on last year's 6.7 percent expansion – the lowest annual growth rate in 25 years.
- **Mexico's annual inflation was 4.9 percent in February**, the highest rate in seven years, putting pressure on the central bank to raise rates to keep it under control.
- **Bitcoin's price fell 18 percent on Friday**, after the SEC rejected an application from the Winklevoss twins (of Facebook fame) for the first Bitcoin ETF.
- **Tariffs on imports could be as high as 30 percent**, if the UK does not agree a free-trade deal with the EU, according to the global president of Mars.
- **British bank Lloyds has set aside £350m to settle PPI claims**, this is added to the £17bn already written off, as the FCA set an August 2019 deadline for claims.

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