

# Arlo Associates Weekly Market Summary

19th March 2017

## THE FEDERAL RESERVE HIKED INTEREST RATES ON WEDNESDAY

Raising the rate by 25 basis points to 0.75-1.00 percent - the second hike in three months. The Fed projects a strong US economy and its goals now are to maximise the labour market whilst containing inflation, which approached their target of 2 percent over the last 12-months. The market is pricing in another hike September, with three more in 2018.

## GLOBAL EQUITIES WERE BOOSTED BY THE FED'S DECISION

With the US and European markets rallying as investors expressed confidence in developed economies. In the US, small-caps and technology companies outperformed with the Russell 2000 and Nasdaq Composite indices gaining 1.91 and 0.62 percent, respectively. In the UK, a weaker pound following the rate hike drove the FTSE 100 index to a record high.

## DUTCH EQUITIES ROSE TO A 9-YEAR HIGH

As voters rejected the populist movement to give the centre-right the largest share of seats in parliament. With German and French elections to follow later this year, this result will settle fears that a wave of nationalist, anti-EU sentiment would wash over Europe this year and compound concerns from Britain's exit from the EU and Donald Trump's protectionist trade policies.

## JAPAN'S CONSUMER PRICE INDEX ROSE 0.1 PERCENT IN JANUARY

The first year-on-year increase in prices in over 13 months, and was driven by improving economic conditions, weakness in the yen and higher energy prices. Despite the rise, the Bank of Japan announced at its monthly meeting that it will maintain its current monetary policy, which includes buying ¥80 trillion of long-term government bonds per year.

## OIL PRICES SETTLED HIGHER FOR THE FIRST TIME IN THREE WEEKS

Although only by a few pennies as the first decline in US inventories for 10 weeks was matched by another weekly rise in US rig activity, suggesting production in the states will continue to offset any significant impact from the OPEC deal. WTI crude finished 0.6 percent higher at \$48.78 a barrel, whilst Brent crude rose 0.8 percent to close at \$51.76.

## IN OTHER FINANCIAL NEWS :

- **China's central bank increased interbank rates on Thursday**, a day after the US and thereby demonstrating their confidence in the Chinese economy.
- **The UK's Monetary Policy Committee kept interest on hold**, with only one out of nine members voting to increase interest rates at their monthly meeting.
- **Brazil's economy added jobs for the first time in 2 years**, in a sign that the country might finally be coming out of its worst ever recession.
- **The Mexican peso rose 2 percent against the greenback**, as investors suspect the US is softening its protectionist stance following comments by the White House.
- **The Turkish lira rose 3 percent against the dollar**, as the central bank increased its late liquidity window rate to combat its higher inflation in five years.

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