



# Arlo Associates Weekly Market Summary

26th March 2017

## US EQUITIES POSTED THEIR WORST WEEK IN 6 MONTHS

As anxiety grew over concerns that Congress would pass legislation to replace the Affordable Care Act, as well as general fears from rising US interest rates, 'Trumponomics' and geopolitical risks – in particular North Korea's recent missile tests. Volatility also returned to the markets, as Tuesday saw the S&P 500 close over 1% lower for the first time in 109 days.

## GROWTH IN THE EUROZONE APPROACHES A 6-YEAR HIGH

Whilst job creation is at its highest level in almost a decade. March's Markit Composite Purchasing Managers' Index rose to 56.7 from 56.0 in February – a reading about 50 indicates expansion. This latest confirmation of the bloc's recovery could encourage the central bank to start tapering back its monetary easing policy and raise interest rates earlier than expected.

## THE CHINESE ECONOMY IS FACING DESTABILISING RISKS

According to a report by the OECD, which highlights a potential housing market bubble, highly leveraged & speculative investments into equity markets and rising corporate debt. The issues will further compound financial vulnerabilities as the nation faces its weakest growth rate in a quarter of a century.

## THE BRAZILIAN ECONOMY WAS HIT BY ANOTHER SCANDAL

With meat producers being accused of bribing inspectors to certify tainted or rotten meat as fit-for-consumption. This led to several nations banning the import of Brazilian meat, including the European Union and China. Brazil's meat export market is worth \$12.9bn and this scandal is another setback for a nation recovering from its worst ever recession.

## OIL PRICES FELL FOR A THIRD WEEK THIS MONTH

As traders weigh up the impact of OPEC-driven global cutbacks versus surging US production. Global producers, including Saudi Arabia and Russia, will meet on Sunday to review the compliance levels with the current agreement. WTI crude finished 1.7 percent lower at \$47.97 a barrel, whilst Brent crude declined 1.9 percent to close at \$50.08.

## IN OTHER FINANCIAL NEWS :

- **A German bank accidentally transferred \$5.4bn to four other banks**, with the state-owned KfW blaming a technical glitch for the error.
- **The Russian central bank cut interest rates to 9.75 percent**, as inflation stabilises at a 5-year low and the economy shows signs of recovery.
- **Deutsche Bank has signed a 25-year lease on new London offices**, which will house its 7,000 employees, in a strong sign of commitment to the UK capital.
- **Mexican equities rose to a record high**, as a weak peso has benefited exporters and anticipation of higher US interest rates has boosted foreign investor interest.
- **Saudi Arabia's credit rating is downgraded to AA-**, with Fitch citing weak public balance sheets, a growing fiscal deficit and doubts about its economic reforms.

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