

# Arlo Associates Weekly Market Summary

9th April 2017

## US ENERGY AND DEFENCE SECTORS OUTPERFORMED

As oil spiked and investors sought safe-haven assets following the US airstrikes in Syria. Also benefiting was gold, which rose to its highest level in 5 months. The events in Syria overshadowed March's employment data that showed only 98,000 jobs were created, although the unemployment fell to 4.5 percent – the lowest rate in 10 years.

## A SUMMER 'GREXIT' IS NOW UNLIKELY

With the Greek government and its creditors agreeing the basic terms which would unlock new loans from the €86 billion bailout program. The new terms include the government reducing spending on pensions and lowering the tax-free threshold, which altogether aim to improve the country's finances by 2 percent of GDP.

## JAPANESE EQUITIES FELL ON MIXED ECONOMIC DATA

With the Nikkei 225 down 1.29 percent. Separate indices measuring consumer confidence and business activity both rose, whilst a measure of final manufacturing declined to the lowest level this year as output and new orders fell. The yen continues to weaken against the dollar, losing 0.7 percent over the week and down 5.3 percent year-to-date.

## CHINA'S FOREIGN RESERVES ROSE ABOVE \$3 TRILLION IN MARCH

Marking the second consecutive month of gains. This will relieve pressure on the government who have battled continual capital outflows over the last year with strict curbs on moving money out of the country. However, this relief could be short lived as economists estimate that at least \$200 billion will be depleted from China's war chest over the next 2 years.

## OIL PRICES JUMPED 3 PERCENT OVER THE WEEK

Following increased political instability in the Middle East as the US orders an airstrike on a Syrian government air base. Helping to drive prices higher was the news that Venezuela may have been over reporting its 1.5 million bpd figures, with real supply much less. WTI and Brent crude prices finished the week at \$52.24 and \$55.24 a barrel, respectively.

## IN OTHER FINANCIAL NEWS :

- **Argentina's debt has been upgraded to B from B-**, with rating's agency S&P acknowledging the country is likely to return to growth in 2018.
- **South Africa's debt was downgraded to junk**, with Fitch Ratings and S&P citing the turmoil surrounding the recent ousting of the Finance Minister Pravin Gordhan.
- **Brazil's 2018 budget deficit is now estimated at 129bn reais**, up from 79bn, in a sign that tackling the countries public finances is going to be harder than expected.
- **Saudi Arabia's foreign reserves have fallen to \$500bn**, down from \$737bn in 2014, and continue to decline by \$6.5bn a month despite higher oil prices.
- **Samsung is forecasting a 48 percent jump in profits**, during the first quarter of 2017, as revenue from memory chip sales outweighs damage from scandals.

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