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The *independent* mortgage experts

Market Report News

15th April 2016

Central Bank Rates

- Bank Of England rate - on hold at 0.5% and no increase in QE - (next decision 12th May)
- ECB - Reduced to 0.00% - (next decision 5th May)

The MPC has kept the bank rate & QE unchanged as expected, but has warned that the EU referendum could hurt growth in the first half of this year. The committee is worried that uncertainty over the referendum could cause "some softening" in growth, & added that sterling had also been affected by the indecision ahead of the vote. "There are some signs that uncertainty relating to the EU referendum has begun to weigh on certain areas of activity, as some decisions, including on capital expenditure and commercial property transactions, are being postponed pending the outcome of the vote," the minutes said, adding that a "yes" vote might result in "an extended period of uncertainty about the economic outlook, including about the prospects for export growth". "This uncertainty would be likely to push down on demand in the short run... (and) have significant implications for asset prices, in particular the exchange rate," they said. The Bank also said that sterling, which had fallen further over the past month, may recover if the UK votes to stay in the EU. The chief economist at Markit, said the Bank's minutes had brought "fresh signs of how uncertainty regarding the June vote on the UK's membership of the EU was already unsettling business confidence. Brexit concerns appear to be exacerbating existing worries about the extent to which UK and global demand remains worryingly fragile. It's highly likely, therefore, that the second quarter could see growth slow further, possibly considerably if anxiety about the referendum intensifies, turning the focus to the possible need for more stimulus," he added.

Bank and Building Societies

Nothing this week.

Housing / Mortgage Market

The CML has reported that in February homeowners borrowed £8.7billion for property purchase, which was an annual increase of 21%, & up 4% on January. The number of loans totalled 48,000 which was up 4% on the previous month & 12% on February 2015. First-time buyers took out 22,000 loans worth £3.4billion, up 3% on January & up 21% year-on-year. Home movers loans were worth £5.3billion, 4% on January, & 20% annually. The number of loans reached 26,000 loans, a monthly increase of 4% & a 14% one on February 2015. Remortgages hit £4.8billion, down 17% on January but up 37% year-on-year. The 28,400 remortgages were down 15% monthly, but up 24% annually. The Buy-to-let sector was worth £3.7billion, which showed no change monthly, but a rise of 61%, while the 23,700 was an increase of 1% on January, but 47% up on February last year. The CML says: "In 2016, there have been substantial increases in house purchase and remortgage activity year-on-year. This reflects the sluggish market in early 2015, perhaps driven by election uncertainties. "Buy-to-let has also seen substantial year-on-year increases, with particularly strong growth in remortgaging, a pattern which we have seen in the buy-to-let sector the past six months. "Activity has been boosted by landlords seeking to complete purchases before tax changes in April. We do not expect activity to show such strong year-on-year growth later in the year." The CML says affordability metrics for first-time buyers did not change much month-on-month, with the amount of monthly gross income borrowers spent servicing capital and interest repayments at 18.1% being the lowest since records began in 2005. L&G Mortgage says: "On the face of it, this is good for the market, as more people are getting the mortgages they need to take a step onto or up the property ladder. However, a lack of supply is continuing to drive up house prices, resulting in many people still being priced out of the market completely. The industry and the Government need to continue to work together to realise the various construction initiatives recently announced if we are to fulfil the promise of building 250,000 properties each year."

The ONS has said that the average property price for the UK increased by 7.6% year-on-year in February to £284,000, but slowed from the 7.9% figure recorded in the year to January. Stripping out London & the South East, then the average price drops to £216,000. The average London price went up 9.7% annually to £524,000 with the South East's house price up 11.4% to £368,000. In England the average home is £298,000 while in Wales it's £173,000 in Scotland £189,000 & £157,000 in Northern Ireland. Analysts feel that the figures are being distorted by the surge of landlords who rushed to complete before the April stamp duty deadline. However, whilst some analysts feel that now the deadline has passed prices should level off, others feel that the ongoing supply issues will ensure that upwards pressure will continued to be applied to prices.

ONS House Prices: Year To February 2016	
Nation	**% Change**
England	**+8.2%**
Wales	**+2.8%**
Scotland	**-0.8%**
N.Ireland	**+2.4%**

The Finance and Leasing Association (FLA) has said that second charge mortgages in February increased to £81million. The figure is a 40% year-on-year increase in the value of second charges, plus a 17% increase in volume. The FLA also reported that £887million of second charge mortgages were written in the 12 months to February, which was up 36% on the previous year. The FLA said: "The latest figures reflect robust consumer confidence, particularly with regard to their own personal finances. "In 2015, household real disposable incomes grew at their fastest rate since 2001 and should continue to be supported this year by low interest and inflation rates as well as stronger wage growth."

The Treasury has announced a surprise change in the 3% Stamp Duty surcharge rules for anyone buying a house that includes a "granny flat", or annex. After stiff criticism that many houses with small annexes would be liable for the extra 3% Stamp Duty, the treasury has backed down, and refined the rules to make fewer homes with annexes liable for the surcharge. Any annex that is worth less than one third of the total property value will no longer qualify for the extra charge. Analysts have called the U-turn "common sense", after the government had tried to defend the indefensible, while the Treasury tried to call it a change "to iron out technical unfairness". However, where a home with an annex or cottage does qualify for the Stamp Duty surcharge, the higher rate applies to the value of the whole property, not just the annex. So if someone buys a home worth £300,000 - with an annex worth £100,001 - they will face a Stamp Duty bill of £14,000 whereas previously the bill would have been £5,000. Now to be liable for the higher rate, annexes must also: Be capable of being sold separately from the main house, have their own entrance, have their own water and electricity supply, receive their own Council Tax bill, be worth more than £40,000 on their own.

The RICS has said that house price inflation is set for a slowdown over the coming months, warning that the June referendum on EU membership, along with elections in Scotland, Wales & Northern Ireland would cool the housing market. The RICS also said the Stamp Duty increases for landlords from the 1st April were another influencing factor. "Elections inevitably bring with them periods of uncertainty in the market, and our figures would suggest that next May's devolved elections are no exception," said RICS chief economist. "Likewise, the EU referendum, is likely to be an influencer in terms of the damper outlook for London in particular." The report also showed that most surveyors in London expect prices to fall over the next three months, as those expecting a price fall outweighed those expecting a rise by 38%. However in other parts of the country, there was more optimism. In north west England & Northern Ireland most respondents expect prices to rise significantly over the spring and early summer. In the longer term, the RICS think property prices will rise by more than 4% a year in England and Wales, irrespective of the referendum result & the elections. "The imbalance between demand and supply will still exert a strong influence on the market, with house prices expected to rise by close to 25% over the next five years."

UK

The IMF has warned that an exit from the EU could cause "severe regional and global damage". The so-called "Brexit" would disrupt established trading relationships & cause "major challenges" for both the UK and the rest of Europe. The IMF said the referendum had already created uncertainty for investors, & a 'yes' vote would only exacerbate this. Predictably 'Vote Leave' countered that the IMF had been "consistently wrong" in past forecasts, therefore they must be wrong now. The IMF, also cut its GDP forecast for the UK, saying that growth would be 1.9% this year, down from its January estimate of 2.2%. Whilst in 2017 they predict 2.2% growth, unchanged from its earlier forecast. Should the UK vote to leave the EU, then the IMF expect negotiations on post-exit arrangements to be protracted, which it "could weigh heavily on confidence and investment, all the while increasing financial market volatility". They also think it would "disrupt and reduce mutual trade and financial flows" plus restrict benefits from economic co-operation and integration, such as those resulting from economies of scale. However, they added that domestic demand, boosted by lower energy prices, along with a buoyant property market, would help to offset the impact on growth ahead of the referendum. Maurice Obstfeld, economic counsellor to the IMF and the organisation's chief economist, says there could be "severe regional and global damage" if Britain were to vote to leave the EU. An exit would present "major challenges" and a prolonged period of uncertainty which would "weigh" - that is have a negative effect - on confidence and investment. Market volatility could increase, trade could be damaged and economic growth undermined.

The ONS has reported that the Consumer Prices Index (CPI) in March climbed to 0.5% in March, from 0.3% in February. A 22.9% increase in air fares, due to the earlier timing of Easter, was the main reason cited for the rise, as the index hit its highest level since December 2014. his year. The Retail Prices Index (RPI), which includes housing costs, was 1.6% in March, up from 1.3% in February. However, the latest figure hasn't convinced the majority of economists that the MPC will increase the bank rate before the start of next year, with some predicting even longer. Hargreaves Lansdown, said the larger-than-expected increase in inflation did not mean interest rates would rise sooner than forecast. "Although inflation rose by more than expected, the overall trend remains weak, and places little pressure on the Monetary Policy Committee," he said. "All in all, the economic picture remains highly uncertain and I expect no action from Threadneedle Street for some time yet."

The British Chambers of Commerce (BCC) has claimed that economic growth is set to soften further. The BCC said their research suggests key indicators, such as sales and orders, as well as confidence and investment, were "at a low ebb". They added that the economy faced a number of "global and domestic uncertainties". "While the picture is static overall, there are clear indications that economic growth is continuing to soften," said the BCC. "From sales and orders to confidence and investment intentions, many of the business indicators we track are at a low ebb." The survey which covers over 8,500 firms showed historically low confidence in turnover and profitability. It also suggested that domestic sales and orders in services firms fell in the first quarter of the year, to their lowest level in three years, while manufacturers also reported a fall in domestic sales.

Europe

Nothing this week

US

Nothing this week

The Rest Of The World

The IMF has again lowered its forecasts for global growth, with their latest World Economic Outlook now predicts global GDP of 3.2% this year & 3.5% in 2017. The IMF has described the pace of growth as "increasingly disappointing". The new predictions are down on the previous ones of 3.4% this year and 3.6% next year & are the second reductions already this year. Just a year ago the estimate was 3.8% for 2016. Although the global economy has continued to recover from the financial crisis & the subsequent recession, the IMF is increasingly concerned about its lacklustre nature. The report warns of risks that could lead to results worse than the main forecast, with a return of the financial market turmoil that hit the world earlier in the year as a specific one. China's efforts to shift their economy towards more consumer spending & services are described as something that will eventually benefit China itself and the world. There's a warning about

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"the global impact of the unwinding of prior excesses in China's economy as it transitions to a more balanced growth path after a decade of strong credit and investment growth". Another concern is persistent slow growth could reduce the capacity for further growth in the future, with a risk, that the world economy could fall into widespread stagnation.

The Chinese economy grew at an annual rate of 6.7% in Q1, the slowest quarterly growth in seven years, but in line with expectations and growth targets. The latest figure confirms the slowing trend, though there are pockets of growth. Investment in industrial assets and infrastructure registered a surprise jump by 10.7% in Q1, plus consumers also appear to be spending, with retail sales showing a robust 10.5% jump for March. However, there's an historic issue that no one really knows how accurate Government stats are and GDP figures are no exception.

Chinese exports (in yuan terms) climbed 18.7% last month against the same month last year. The figure is the biggest increase in exports in over a year, while imports declined by 1.7% on last year, to leave China with a trade surplus of 194.6bn yuan (£21billion). The boost in exports has analysts hoping that the world's second largest economy is not as badly affected as previously thought by the global slowdown.

Markets, Swaps. Libor, Gold, Sterling

UK Swap Rates

Date	2 Year		3 Year		5 Year		10 Year		20 Year	
Thurs 14th	0. 82	(+0.01)	0.88	(+0.01)	1.03	(+0.02)	1.46	(+0.03)	1.73	(+0.02)
Wed 13th	0. 81	(-0.01)	0.87	(same)	1.01	(-0.02)	1.43	(-0.03)	1.71	(-0.03)
Tues 29th	0. 82	(+0.04)	0.87	(+0.04)	1.03	(+0.06)	1.46	(+0.07)	1.74	(+0.07)
Mon 11th	0. 78	(+0.01)	0.83	(+0.02)	0.97	(+0.03)	1.39	(+0.03)	1.67	(+0.03)
Fri 8th	0. 77	(+0.02)	0.81	(+0.01)	0.94	(+0.01)	1.36	(+0.02)	1.64	(+0.02)
Thurs 7th	0. 75	(-0.01)	0.80	(-0.02)	0.93	(-0.03)	1.34	(-0.04)	1.62	(-0.04)
Wed 6th	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tues 5th	0.76	(-0.04)	0.82	(-0.04)	0.96	(-0.05)	1.38	(-0.04)	1.66	(-0.03)
Mon 4th	0.80	(+0.01)	0.86	(+0.01)	1.01	(same)	1.42	(-0.01)	1.69	(-0.01)
Fri 1st	0.79	(-0.02)	0.85	(-0.04)	1.01	(-0.03)	1.43	(-0.02)	1.70	(same)

UK Libor Rates

Date	1 Month		3 Months Libor		6 Months Libor		12 month Libor	
Thurs 14th	0.51	(same)	0.59	(same)	0.74	(same)	1.01	(same)
Wed 13th	0.51	(same)	0.59	(same)	0.74	(same)	1.01	(+0.01)
Tues 12th	0.51	(same)	0.59	(same)	0.74	(same)	1.00	(same)
Mon 11th	0.51	(same)	0.59	(same)	0.74	(same)	1.00	(same)
Fri 8th	0.51	(same)	0.59	(same)	0.74	(same)	1.00	(same)
Thurs 7th	0.51	(same)	0.59	(same)	0.74	(same)	1.00	(same)
Wed 6th	0.51	(same)	0.59	(same)	0.74	(same)	1.00	(same)
Tues 5th	0.51	(same)	0.59	(same)	0.74	(same)	1.00	(same)
Mon 4th	0.51	(same)	0.59	(same)	0.74	(same)	1.00	(same)
Fri 1st	0.51	(same)	0.59	(same)	0.74	(-0.01)	1.00	(-0.02)

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Financial Markets – 8th April – 15th April

Index	04/03/2016	This Week	% Change
FTSE 100	6,167.17	6,343.65	**+2.86%**
Dax	9,593.04	10,028.55	**+4.54%**
CAC 40	4,268.76	4,486.82	**+5.11%**

Index	08/04/2016	This Week	% Change
Dow Jones	17,541.96	17,926.43	**+2.19%**
S&P 500	2,041.91	2,082.78	**+2.00%**
Nikkei	15,821.52	16,848.03	**+6.48%**
Hang Seng	20,370.40	21,316.47	**+4.64%**
Shanghai Composite	2,123.80	3,078.12	**+44.93%**
Sydney	5,018.00	5,224.10	**+4.11%**

Gold

	Price	Change	%
Forex Gold Index $/oz	1233.85	-8.25	-0.66

Gold is measured and sold in troy ounces. One troy ounce equals 31.1035 grams or 480 grains. One troy ounce is equal to 1.09711 avoirdupois ounce - widely used to measure weights in the US and UK.

Pound vs US Dollar and Pound vs Euro

Sterling v Euro

	1buys	Change	%	52 Wk-h	52 Wk-l
Euro	1.23890	+0.02020	+1.63	1.43680	1.10650

Sterling v Dollar

	1buys	Change	%	52 Wk-h	52 Wk-l
US Dollar	1.41880	+0.00930	+0.66	1.71520	1.40950