

EUROPEAN BANKS FAIL STRESS TESTS AS US POWERS AHEAD

The contrasting fortunes of the US and Europe have been generating the most headlines this week. The gain in the dollar and fall of the Euro highlighting their respective situations. Ironically the US' strength could be its undoing, while Europe's weakness its salvation. International trade tends to be self-regulating, the exchange rate movement is making Europe more competitive and has already begun to hurt the earnings of the largest American companies. The contractionary impact of a strong dollar might delay the need for a US rate rise, the very thing that has been pushing the dollar higher.

Meanwhile at a more local level, two of the largest European banks failed stress tests imposed by the US Federal Reserve: designed to ensure foreign banks will be able to withstand market shocks and not require assistance from the US state. No US bank failed the tests, but both Santander and Deutsche bank were deemed to have inadequate capital protection. This provides yet further evidence of how Europe's failure to get to grips with the financial crisis and get its house in order is holding back its recovery.

THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
-2.41%	-1.67%	+1.49%	-1.41%	+1.90%	+0.28%	-0.72%	-6.18%	-13.78%	-3.28%	+6.65%



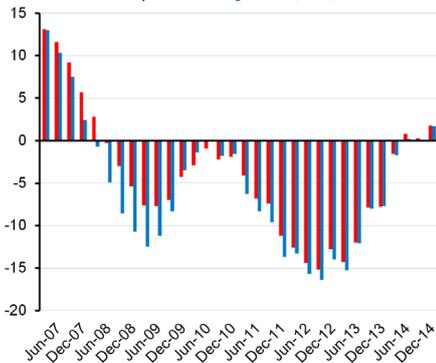
UK: RBS SLASHES JOBS IN INVESTMENT BANKING ARM

The perilous domestic state of investment banking was revealed last week as Royal Bank of Scotland announced plans to cut more than three quarters of jobs within its investment banking division. Since the financial crisis of 2007-2009, the sector has faced far greater scrutiny from regulators who seek to limit the scale of risky activities. While investment banks have been popular whipping boys, the rapid shrinking of the sector has raised fears of a loss of competitiveness to France and Germany; as a strong banking sector is required to finance industry. While there remain plenty of large American banks in the city, small businesses may find themselves shut out of capital markets.

Meanwhile with the UK Election looming, nearly half of voters still do not know who they will support according to polling firms. Surveys indicate that 44 per cent of those who are certain to cast their vote at on 7 May are still undecided. Sir Martin Sorrell, chief executive of WPP, said this week that there is no good general election outcome for businesses.



Spanish House Prices, YoY %'s
Spanish Existing Homes, YoY, %'s



EU: EURO SLIDES TO 12 YEAR LOW AGAINST DOLLAR

The European Central Bank's commencement of its quantitative easing programme has contributed to the euro tumbling to its lowest rate against the US dollar for 12 years. The single currency has fallen by as much as 11% against the dollar since the start of this year, where it was trading at \$1.07 on Tuesday. In stark contrast to the US Federal Reserve, which is considering tightening monetary policy, the ECB's strategy to weaken the euro will be especially welcomed by manufacturers in the Eurozone as exports should become cheaper for its largest trading nations.

Elsewhere, it emerged from Spain this week that house prices rose at their fastest rate since 2008. Following on from the property crash seven years ago, prices remain 30 per cent below their peak, but this nevertheless is another positive indicator of recovery in one of the fastest growing Eurozone economies. Coupled with an increase in GDP growth from 2 per cent to 2.4 per cent, Spain is looking likely to be a key driver of the European recovery.

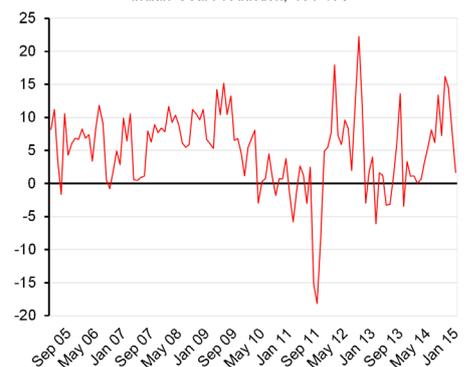


EM: INDIA MOVING AWAY FROM FOSSIL FUELS

It was a momentous week for energy production in India, as the government announced it was doubling taxation on coal production. As one of the most polluted countries in the world, India has recently adopted a taste for renewable energy, and so plans to invest heavily in renewable sources such as solar instead. According to analysts' predictions, 25 per cent of India's power will be generated by solar in 2022.

Meanwhile, the much maligned "coal block" probe in India materialised this week as former prime minister Manmohan Singh was summoned in court over allegations of corruption in the allocation of coal permits. More than 200 contracts awarded to private businesses during Mr Singh's tenure have been cancelled since Prime Minister Narendra Modi was elected to power last May. This incident highlights the risk of nepotism within emerging market economies that Modi will look to address through a series of long-term reforms. Keep an eye on India as Modi's reforms and incentives attempt to transform the country into a new era of energy production.

Indian Coal Production, YoY %'s



This document has been prepared for general information only. It does not contain all of the information which an investor may require in order to make an investment decision. If you are unsure whether this is a suitable investment you should speak to your financial adviser. This information is not guaranteed to be correct, complete, or accurate. FE Research is a division of Financial Express Ltd, an appointed representative of Trustnet Ltd [FRN 209967] which is authorised and regulated by the Financial Conduct Authority. For our full disclaimer please visit www.financialexpress.net/uk/disclaimer.