

DEFICIT REDUCTION REMAINS KEY ELECTION THEME

Election tedium rumbled on this week, with the Institute for Fiscal Studies being particularly scathing over the lack of clarity or cohesion in the economic plans of any main party. While it is accepted that some parties will cut more, and others less, the IFS were particularly critical of all of the main parties for their lack of detail regarding tax, spending and borrowing plans. The state of the nation's finances will likely leave politicians just tinkering around the edges of economic policy rather than imposing a radical overhaul. Perhaps the most exciting part will be the horse trading which takes place in the aftermath of 7 May.

Foreign policy also reared its head today, as the plight of migrants trying to cross the Mediterranean offered the chance for some political point scoring. It seems ironic that a man who was part of the Labour government that participated in a poorly thought out stab at regime change in the Middle East, is accusing the current Prime Minister of a poorly thought out stab at regime change in the Middle East. Thankfully there's only two weeks to go.

THE MARKETS THIS WEEK

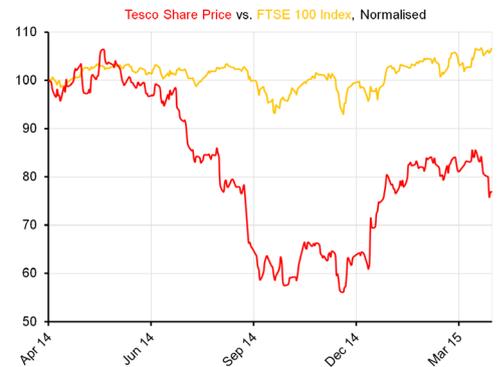
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
+1.33%	+0.38%	+1.87%	+1.47%	+0.99%	+1.22%	+1.87%	+3.76%	-1.04%	-1.08%	+0.51%



UK: TESCO INCURS ANNUAL LOSS OF £6.4bn

Supermarket giant Tesco suffered its worst set of results this week as it recorded a pre-tax loss of £6.4bn for the year to the end of February. The figure is an unwanted record loss for a UK retailer and comes only three years after a record profit of £3.8bn was posted. Almost 75 per cent of the losses incurred were due to the fall in property values of its UK stores, of which 43 stores are likely to close in the near future. A further 49 planned stores have been cancelled for development as Tesco struggles to maintain its market competitiveness. This incident culminates a difficult year for the company following on from the accounting scandal, where it emerged that its half-yearly profit in August 2014 had been overstated by £263m.

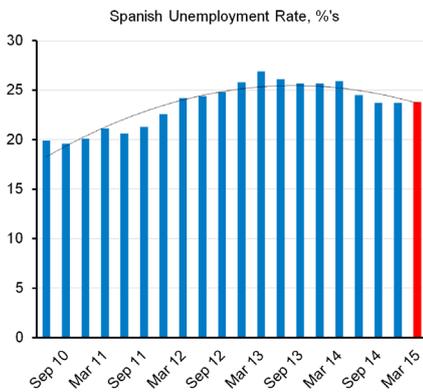
Meanwhile, Tesco's woes arguably have emanated from sluggish retail sales of recent. Despite the falls in fuel and food prices, there was no boost to consumer spending in March, as UK retail sales fell 0.5 per cent from February. Wage growth and sustained low inflation could help to counter this trend over the next few months however.



EU: DEUTSCHE BANK HIT WITH LIBOR FINE

Deutsche Bank became the latest big bank on Thursday to come under the spotlight of the Libor scandal. Germany's largest financial institution must pay a record \$2.5bn fine resulting from accusations that it manipulated interest rates between 2005 and 2010. Libor is important as it specifies at what cost a bank can borrow or lend money to another bank, and underpins the mortgage and financial derivatives markets worth circa \$350tn globally. The fine is far bigger than any previous imposed on banks such as Barclays or UBS, as it has been proven that Deutsche's staff were deceiving regulators to hide their fraudulent transactions.

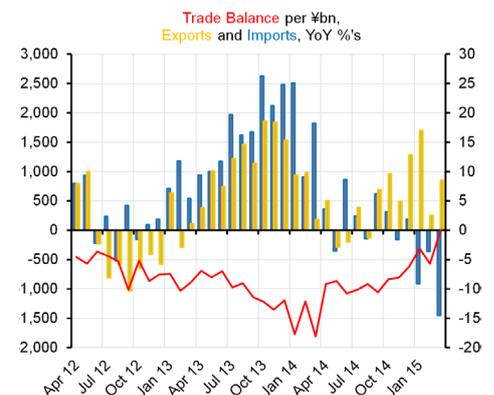
Elsewhere, Spain continued its economic resurgence as it was revealed that over 500,000 jobs were created in the country last year. The unemployment rate now stands at 23.8 per cent at the end of the first quarter of 2015, indicating that there is still much work to be done. Nevertheless, forecasts point towards GDP growth of at least 2.5 per cent this year as consumer confidence is likely to pick up.



JAPAN: POSTS FIRST TRADING SURPLUS FOR THREE YEARS

For the first time in three years, Japan posted a trade surplus according to its Finance Ministry. Buoyed by the favourable conditions of a weak yen, exports increased 8.5 per cent in the year to March, particularly fuelled by US demand for cars and electronic parts. Japan is a heavy importer of energy, and so the added effect of low oil prices meant that the value of petroleum was worth approximately half of what it was a year before. The news was overwhelmingly welcomed by investors as the Nikkei index closed above 20,000 on Wednesday for the first time in 15 years.

Japan is experiencing an endemic bout of deflation as Prime Minister Shinzo Abe travels to Washington next week. He is expected to address congress in an attempt to secure a huge trade deal that will add credibility to his "Abenomics" plan and lift Japan out of economic stagnation. Talks surrounding the Trans-Pacific Partnership are also on the agenda as the two allies plot to seize the initiative away from the Chinese-led Asian Infrastructure Investment Bank.



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