

SLOWING UK GROWTH OVERSHADOWED BY FIFA SCANDAL

This week the world’s media has been gripped by the allegation that FIFA has been on the take, after the FBI and Swiss authorities burst through the front doors of a number of leading officials. Remarkably, most media outlets have chosen to feign surprise that an organisation that awarded a major sporting tournament to a country with an unbearably hot climate, no football infrastructure and vast oil wealth might not be on the level. The same trick was repeated when slightly negative economic data led to the suggestion that there won’t be a US rate rise next month. Again, the revelation that something nobody thought would happen might not happen, hardly warrants the column inches that have been dedicated to it.

Meanwhile, David Cameron has started his offensive on another opaque international bureaucracy, with a quick tour of European countries he thinks might be sympathetic to his cause. An entire parliament dedicated to being awkward and campaigning against the now European president might make allies hard to come by.

THE MARKETS THIS WEEK

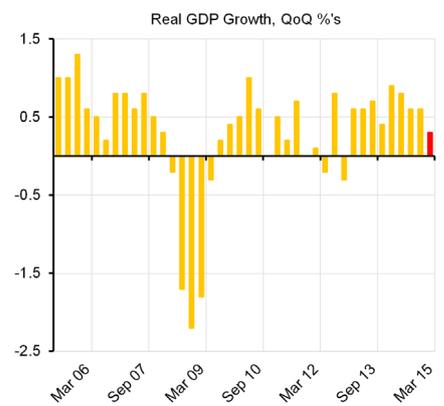
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
-0.03	-0.24%	+1.47%	-0.36%	-2.89%	-1.43%	-2.44%	-4.85%	-5.53%	-1.30%	-7.18%



UK: ECONOMIC GROWTH DECLINES AS EXPORTS SLOW

The UK economy grew 0.3 per cent in the first three months of 2015, data released by the Office for National Statistics showed this week. The news took forecasters by surprise as it undercut their own quarterly estimates, with a slowdown in the services sector offsetting an improvement in construction output. Regardless of such short-term headwinds, which also include the election, a brighter rest of the year is being predicted; however the niggling issue of the EU referendum is clearly playing on the minds of British exporters as a widening trade deficit from the last quarter in 2014 to the first quarter of 2015 has seen net trade knock 0.9 percentage points off growth.

Meanwhile, banks are finally doing more to lend to small business as an extra £600m of credit was made available to Small and Medium sized Entities (SMEs) in the first quarter. The Funding for Lending Scheme, introduced by the Bank of England in July 2012, appears to be successfully incentivising banks to lend more, a move that should bode well for SME expansion in 2015.



EU: GERMAN FIRMS WARN UK OVER EU REFERENDUM

The deputy chief executive of Germany’s Chambers of Commerce and Industry, Volker Treier, has said this week that a UK exit from the European Union would be “disastrous” for both nations. His comments come as David Cameron is due to meet Angela Merkel in Berlin on Friday to discuss EU reforms which the British Prime Minister will hope to push through. As many as 400,000 people in the UK are employed by German companies and Treier has warned that a significant number of these have considered slashing investment in Britain over any potential exit.

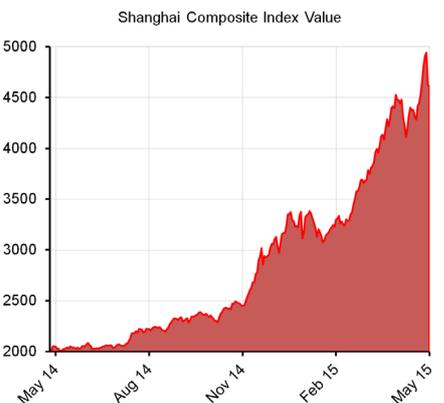
Elsewhere, Norwegian politicians have agreed that the country’s \$916bn oil fund is to withdraw investments from companies with a heavy reliance on coal. The move poses a real threat to European utilities that require the fossil fuel for power generation, as Norway’s government have made it clear to companies that a reduction in dependence on coal usage is both good for the environment and also in terms of reducing financial risk – and possibly boosting oil demand.



CHINA: YUAN “NO LONGER UNDERVALUED”

These were comments expressed by the International Monetary Fund after delegates returned from a two week long consultation mission to the world’s second largest economy. The Chinese currency has often been accused of being deliberately undervalued to boost exports; especially by the US, however this is no longer the case. The IMF now advocate that China should focus on achieving a floating exchange rate within the next two to three years, with the value of the yuan likely adjusting as the country grows, increasing the possibility that China’s currency may become a future global reserve currency.

Meanwhile, record foreign inflows into Chinese stocks occurred this week, with equity funds taking \$4.6bn from overseas investors. Despite the above, the Shanghai Composite index fell 6.5 per cent on Thursday which was one of its worst days in 15 years, as the market experienced a severe bout of volatility. Nevertheless, the extraordinary rally of Chinese stock markets has seen them to be the world’s best performer this year, and analysts see no reason for a let up.



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