OSBORNE UNVEILS BUDGET

Osborne's most radical reforms of the week may have slipped under the radar as the media focused on the living wage. The chancellor has clearly heeded the warnings of the BoE's Mark Carney – who he hired in the first place – that the UK property market needed attention. Moves to limit tax relief for buy to let investors will have a significant effect on supply in the booming South East, freeing up houses for young people rather than speculators. It also represents preparation for a rise in interest rates. The BoE is concerned about the number of high LTV buy to let mortgages being taken out which are increasing the sensitivity of the economy to a rise in rates. Over 70 per cent of UK mortgages are on variable rates so consumer spending may be hit when the bank pulls the trigger. Changes to IHT rules for non-dom trusts could also be a slow-burner, hitting flagging demand for prime central London. The market has been flat or falling in the centre of the city, and as it led the market up it may be about to lead the market down. Two days after the budget Osborne also announced radical changes to the planning process intended to speed up housebuilding. These reforms could be the most significant in the long run, as Britain's planning rules have been the principal block to the country building enough homes.

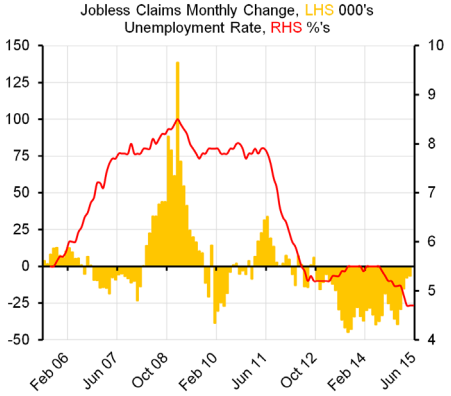
THE MARKETS THIS WEEK

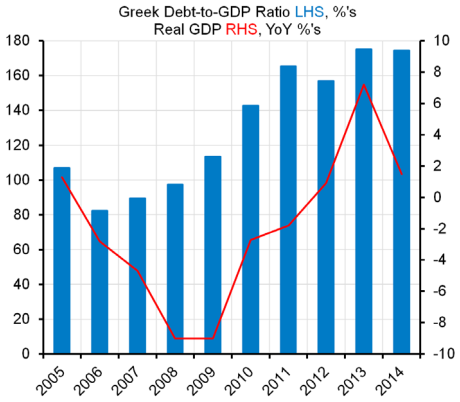
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
+1.06%	-1.26%	-3.70%	-4.46%	+1.50%	+1.81%	+2.07%	-1.68%	-3.63%	-0.49%	-1.84%

UK: LIVING WAGE TO BE INCREASED

The first Conservative budget in 18 years was announced on Wednesday, with chancellor George Osborne's most notable policy being the introduction of a new national living wage for all workers over 25. From April 2016, the hourly wage will start at £7.20, eventually rising to £9 by 2020. It is anticipated that such an increase will result in an estimated 2.5m people receiving an additional £5,000 to their paycheck over five years. The inheritance tax threshold is also increasing to £1m from April 2017 in light of soaring property values in recent years.

In line with one of his party's key manifesto pledges, Osborne also stated that people on the minimum wage will not pay income tax by the year 2020. The personal allowance, at which tax is first paid, will rise to £11,000 next year and £12,500 in five years' time. The move is likely aimed at boosting employment and productivity in Britain, although cuts to in-work tax credits have attracted fierce criticism, comprising part of a total cut to the welfare bill of £12bn.





EU: GROUNDHOG DAY FOR GREECE

Today Greek MPs will vote on whether to support prime minister Alexis Tsipras's bold "new" bailout proposals, with the clear intention of staving off financial meltdown and avoiding an unprecedented exit from the eurozone. Following last Sunday's referendum where the Greek people overwhelmingly rejected the EU's bailout plan, the new one proposed by Tsipras instead includes elements which were initially opposed by democratic vote. After months of deadlocked talks, this is likely to be the last chance saloon for Tsipras, with Athens ultimately looking like capitulating to international creditors.

The measures outlined risk causing division with Syriza MPs. Among pension cuts and tax rises being considered, ports are to be privatised and telecoms giant OTE will be completely sold-off to private hands. Greece's debt pile stands at €320bn and its debt-to-GDP ratio is 177 per cent. Whether the country can absorb more debt for the sake of the continuity of the EU is in doubt, but Brussels looks to have finally got its way ahead of Sunday's decision over Greece's future.

CHINA: STOCKS REBOUND AFTER VOLATILE WEEK

Chinese stocks have continued their rally on Friday, following on from Thursday's dramatic swing in fortunes for both the Shanghai and Shenzhen indexes. Since mid-June, stocks have fallen by over 30 per cent with many analysts fearing that the bull market of the past twelve months is over. Nevertheless, the Shanghai Composite closed up 4.5 per cent on Friday after a previous day surge of 6 per cent. Government intervention in the shape of the lowering of interest rates at the end of June, preceded measures to ban major investors from selling shares this week, raising concerns over the preservation of free market principles.

Recent stock market volatility has seemingly quelled China's appetite for purchasing automobiles. Figures published on Friday indicate that sales of passenger cars fell 3.4 per cent year-on-year in June to 1.5m units. Falling buyer sentiment last month is reflected in a first fall in sales since February 2013 inside the world's largest car market. Car sales growth is however following a general downwards trajectory, perhaps better explained by the economic slowdown.