GREEK DEAL IS FAR FROM THE END

The politicians seem to have calmed down a little about Greece, with a growing sense of security that their immediate crisis is over. For politicians, the crisis was a threat to their projects of a multi-national currency and ultimately, they claim, European political integration - although their actions are far from consistent with this goal. For Greece, there was a political crisis indeed, but the economic crisis continues to whittle the country away. Since 2008 the country has seen GDP shrink by 25 per cent. Given the policies administered this is to be expected by any student of Irving Fisher's theory of debt deflation. Depressions, he says, are caused by a rush to pay off debts causing a contraction in economic activity, deflation and debts growing faster than the ability to pay them in a self-defeating cycle; precisely what we have seen in Greece. Writing off a significant slice of the country's debt would be a start towards a meaningful response with some hope of eventual success, but there remain plenty of political obstacles to overcome. Meanwhile, Greek youth unemployment is at 52.4 per cent, eight years after the collapse of Lehman Brothers.

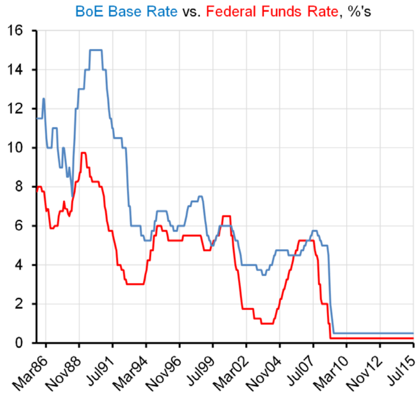
THE MARKETS THIS WEEK

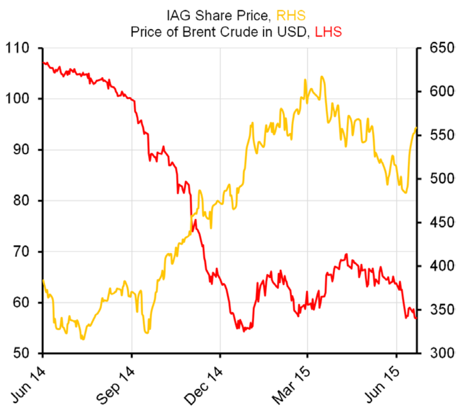
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
+1.71%	+3.56%	+4.40%	+2.06%	+3.19%	+4.40%	+4.11%	-3.10%	+8.40%	-1.66%	-3.57%

UK: UNEMPLOYMENT RISES BUT WAGES UP

Unemployment is up for the first time in two years however wages are also rising at a healthy rate, seemingly contradictory trends. The joblessness rate had been declining steadily over the past three years, and the present figure is 5.6 per cent for the three months to May, up from 5.5 per cent for the previous three months. Economists are puzzled as to how to interpret the news given that average weekly wages are 3.2 per cent higher than a year ago. Some are heralding the figures as a revival in productivity, whilst others construe it to be a pause or reversal in the recovery.

The Bank of England is more likely to raise rates if it believes it to be the former, and it looks like they are preparing to do so. This week, Bank of England governor Mark Carney hinted at a rate rise around the turn of the year, not too long after when the Federal Reserve is expected to increase the cost of borrowing. History tells us that Bank of England usually mimics the Fed's policy on rate setting.





EU: GREEK BANKS WILL REOPEN

According to Reuters, Greek banks are to reopen on Monday following provisions made by the European Central Bank to expand its emergency support for the Greek banking system. The decision comes after the Greek parliament approved a reform package dictated to it as a condition of opening negotiations for a third bailout worth €86bn over a period of three years. Robust reforms on pensions and taxes are being introduced, despite criticism from the International Monetary Fund over the absence of any debt relief in the deal as yet.

Elsewhere, the European Commission has given the green light for the sale of Aer Lingus to International Airlines Group. The takeover is expected to cost €1.4bn. Only last month IAG secured the Irish government's 25 per cent stake in Aer Lingus, whilst Ryanair said that it was prepared to sell its holding of 30 per cent to IAG last week. The commission ensured that concessions were made by IAG so as to retain competitive pricing for airline customers.

MIDDLE EAST: SANCTIONS LIFTED ON IRAN

A landmark agreement between Iran and six global powers, known as the P5+1, was reached this week. In return for curbing its nuclear programme, the Middle East state is to have existing economic sanctions on it lifted. Details of the agreement place limitations on Iran's enrichment of uranium for a period of the next 15 years. Restrictions on the country's oil and gas exports will therefore be removed, with improvements being made to their ability to import technology used to exploit an abundance of energy resources, whilst the international banks' settlement network SWIFT will be reinstalled for the Iranian banking sector.

Sceptics of the deal were keen to remind negotiators of previous Iranian negligence on keeping promises; however major oil groups could profit from the move. It is estimated that sanctions imposed over the past three years has meant the country forgoing $160bn in oil sales. Analysts expect that Iran could add 250,000 to 750,000 barrels a day of exports next year, so Iran's re-emergence to the international oil market will create another headwind for the global oil price.