

**MARKETS DOWN AS INTEREST RATE SPECULATION BOILS**

This week has been eerily quiet after all the Greek drama of previous weeks, and by contrast everything appears rather sedate. Markets are bobbing about in the sort of manner that suggests it's only the robots at the high frequency trading firms that have any real conviction. Most indices look set to end the week being down, but by the sort of amount that suggests the summer holidays might be starting. The most interesting development has been the recovery in the Chinese market which has continued this week, although we're far from convinced this signals an end to the rout, and weak economic data might well cause a reverse.

When there's nothing else to write about, there is always interest rate speculation – which reared its head again this week, with Mark Carney hinting at a rate rise by the end of the year. Oddly the Gilt Market seemed un-phased, which means it might be the start of the usual sleepy August period, and with Europe getting its crisis out of the way early this year it may not be until the Greek negotiations draw to a close before anything major rattles investors.

**THE MARKETS THIS WEEK**

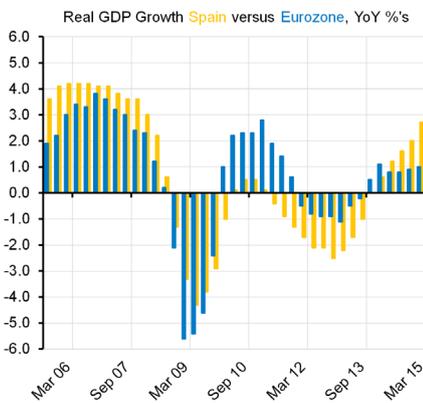
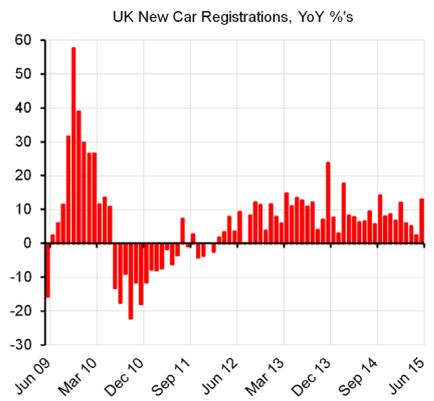
<b>FTSE 100</b>	<b>S&amp;P 500</b>	<b>Nikkei 225</b>	<b>Hang Seng</b>	<b>Dax 30</b>	<b>CAC 40</b>	<b>Ibex 35</b>	<b>Brent Crude</b>	<b>Natural Gas</b>	<b>Gold</b>	<b>Wheat</b>
-1.62%	-1.04%	-0.27%	-1.13%	-1.37%	-0.35%	-0.71%	-3.48%	+0.42%	-5.67%	-6.41%



**UK: FT GROUP TO BE SOLD OFF**

Publishing group Pearson has agreed this week to sell the Financial Times Group to Japanese media company Nikkei for £844m. The deal is believed to have gone down to the wire, after Nikkei made an audacious late bid to oust German rival Axel Springer from the reckoning. From a strategic point of view, the acquisition of the FT Group will likely enhance Nikkei's international presence not only in the English language market, but also in the digital space, as declining readership of newspapers has taken its toll on the traditional print market. Pearson has meanwhile stated that it will use the proceeds from the deal to focus on its existing education business, specifically digital products in emerging markets.

Elsewhere, car production is at a seven-year high as exports turned a corner in June. Half-yearly figures show 794,000 cars were factory-made, representing a 0.3 per cent increase from January to June last year. The UK motor industry has outshone its peers in the economic recovery, taking advantage of high-tech manufacturing processes and a highly skilled workforce.



**EU: SPAIN'S UNEMPLOYMENT RATE LOWEST SINCE 2011**

Higher tourism and greater liberal labour market policies mean that Spain's joblessness rate is now at four-year low of 22.4 per cent. Official figures released on Thursday also show that job creation rose at its fastest pace since the second quarter of 2005 with an impressive 411,000 jobs added to the economy this quarter. Spain has been plagued by recession or low growth since 2008; however the eurozone's fourth-largest economy is now expected to grow at 3.1 per cent this year, more than twice the rate of the euro area. The unemployment figures will no doubt provide a pre-election boost to incumbent prime minister Mariano Rajoy, ahead of the national vote in December.

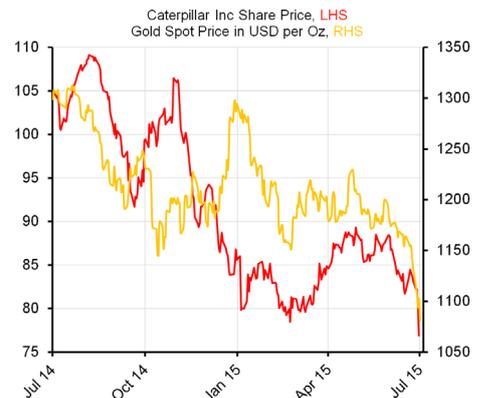
In Greece parliament passed a series of crucial reforms on Thursday, enabling the country to launch talks on a new €86bn bailout. Negotiators return to Athens on Friday, following a successful repayment this week by the Greek government on two loans to the International Monetary fund and the European Central Bank. The saga rumbles on.



**COMMODITIES: PRICES AT A 13 YEAR LOW**

At the start of the week, commodity prices sank to their lowest levels since 2002, as measured by the Bloomberg Commodity Index, which tracks a basket of 22 materials. The recent slump in precious metals adds to even lower oil prices and falling demand for agricultural commodities. Gold is at its lowest level for five years after it fell below \$1,100 an ounce whilst copper followed a similar trend in London, down to a six-year low of nearly \$5,400 a tonne. Meanwhile, WTI Crude Oil dropped below \$50 per barrel on Monday for the first time since April and September futures for corn, soyabbeans and wheat are all down.

Commodity prices have been largely hampered by the glut in supply, with mining stocks being hit particularly hard. The glut in strength of the US dollar has created another headwind for the sector which makes greenback-denominated assets cheaper for buyers. The sluggish global outlook has translated into disappointing earnings for the world's largest construction and mining equipment maker Caterpillar, with its share price hitting a four year low on Thursday.



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