RATE SPECULATION SIMMERS OVER US DATA

Another rather uneventful week as the US Federal Reserve continued to be elusive in Wednesday's meeting regarding a September rate rise. Markets have as ever been over analysing minute details, forgetting that when the first hike comes is not nearly as important as how frequent and large the following raises are. The situation in Greece also appears to be trudging along its perilous path, soon to have been forgotten until the next cash shortage arises. It seems the lack of market-moving news has focused speculation on Emerging Markets, with persistent Chinese market volatility and the commodity slow down dragging broader EM equities down.

It is no surprise to see EM assets fall given the backdrop of a strong dollar and predicted rate rises; however even being pessimistic of official statistics, GDP growth above 4 per cent in plenty of regions presents a ripe environment for investment managers, especially when compared to Western countries struggling to achieve 3 per cent.

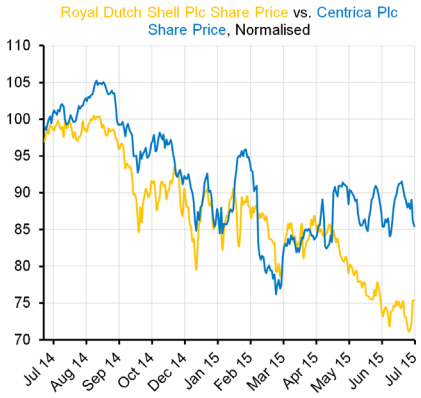
THE MARKETS THIS WEEK

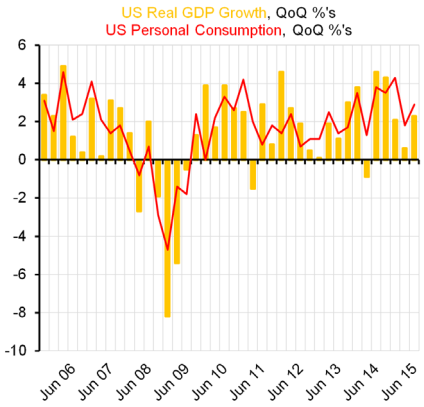
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
+1.27%	+0.31%	+0.20%	-1.96%	-0.74%	+0.15%	-1.76%	-4.20%	-2.25%	+0.09%	-1.71%

UK: OIL GIANTS SHED JOBS AMID SPENDING CUTS

The oil giant Royal Dutch Shell announced this week that it is to cut 6,500 jobs this year, as well as slashing its capital expenditure programme by 20 per cent, over fears of an elongated downturn in crude prices. It means that billions of dollars of prospective energy projects have either been scrapped completely or put on the back burner. Investment levels for the Anglo-Dutch group last year stood at $37bn however they are to be reduced by $7bn in 2015, reflecting a much sharper drop in capital spending than that of its key competitors.

One of these rivals is British Gas owner Centrica, who similarly publicised on Thursday that the company will take on a new strategy of trimming its oil and gas production business, with 6,000 jobs being lost in the process. The company anticipates that £1bn will be generated over the next two years from the sale of wind farms and some of its exploration and production assets. The move comes at a time where many large European utilities are having to innovate themselves away from traditional energy sources in order to tackle lower consumption trends.





US: SECOND QUARTER GDP GROWTH PICKS UP

The recovery in the US continues to chug along at a modest pace as official data shows the economy grew at an annualised rate of 2.3 per cent in the three months to June. Although the figure was just shy of Wall Street estimates, it appears to have done nothing to dispel wider market expectation that the US Federal Reserve will raise interest rates by the end of 2015. The figures released by the Bureau of Economic Analysis on Thursday indicate that second quarter growth was driven primarily by an increase in household spending to 2.9 per cent, aided by exports growth outpacing that of imports.

Elsewhere, the 12 trade ministers of the Trans-Pacific Partnership were present in Hawaii this week in an effort to finalise details on what would be the biggest trade agreement to be signed in two decades. The TPP includes both the US and Japan and covers 40 per cent of the global economy. It has taken five years to reach this stage but if a deal can be struck then it carries huge geopolitical weighting, especially in light of China's economic rise.

BRICS: BRAZIL RATES AT NINE YEAR HIGH

Increasing inflationary concerns and the prospect of a worsening recession has led Brazil's central bank to increase its benchmark interest rate by 50 basis points to 14.25 per cent – its highest level for nine years. Attempts to combat Brazil's creaking public finances have largely failed on the back of weakening tax revenues, resulting from a deteriorating labour market. Matters were hardly helped this week as credit rating agency Standard & Poor's stated that the country's investment grade rating could be potentially downgraded to junk status.

Meanwhile, the slowdown in Chinese economic growth has filtered through to many of the corporate giants, who collectively sounded profit warnings for the second half of the year. Coupled with the recent stock market rout, this has led the major car companies and industrial groups to downplay expectations on future revenue growth. As we highlighted the plight of Caterpillar last week, the German industrial giant Siemens announced similar troubles this week, made more acute by an 8 per cent fall in second quarter Chinese sales.