MARKETS SLIDE AMID GLOBAL GLOOM

This week has had a rather gloomy tone with further evidence of a slowdown in China weighing on markets, and the growing realisation that the Chinese government is powerless to do anything about it, adding an additional cause for alarm. The UK market is being hit hard, primarily due to the large mining firms listed in London who are now facing a future where China won't just snap up everything they can dig out of the ground. The UK economy meanwhile, which these days is not well represented by the FTSE 100, seems to be holding up okay despite the market turmoil. If anything, it appears there is a silver lining to all of David Cameron's failed trade missions to Beijing.

Not to be outdone, Greece made its way back into the news today, with yet more elections. Given that Tsipras chickened out and gave in to every creditor proposal, even after calling a referendum where people overwhelmingly rejected the austerity measures, you have to wonder what the point of these elections are. If even the most hard-line leaders cave in to Berlin eventually, Ms Merkel should just appoint someone and save the effort of a ballot.

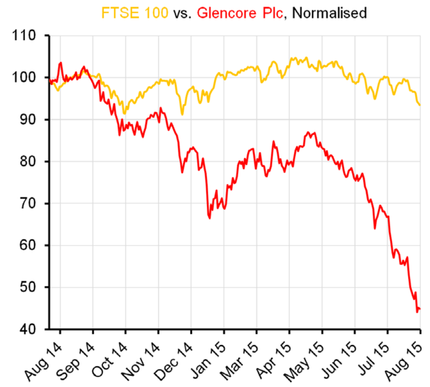
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
-3.33%	-2.29%	-5.28%	-6.59%	-5.22%	-3.76%	-2.95%	-4.37%	-7.05%	+2.74%	-0.69%

UK: FTSE DROPS TO SEVEN MONTH LOW

The FTSE 100 endured a torrid week which marked the index closing down to 6367 on Thursday, the lowest level it has been at since January. This represented an eighth consecutive day of losses which is the FTSE's worst losing streak since 2011. Since the beginning of 2015 it is down 3 per cent, whilst the FTSE's European peers have performed somewhat better. France's CAC 40 and Germany's DAX are up 13.5 per cent and 8 per cent respectively in the same period.

The heavily-weighted energy and material index has been severely affected by the downwards spiral in commodity prices. Commodity giant Glencore is the biggest loser in the year to date having fallen 46 per cent, as the company reported a first-half loss of £431m – the share price fell 8 per cent on Wednesday alone. Rival firms did not cope much better as the shares of Rio Tinto and BHP Biliton also fell. The FTSE 100 is comprised of about 20 per cent in oil and mining stocks, which have been declining due to a downturn in global demand.



EUROPE: TSIPRAS CALLS FOR SNAP ELECTION

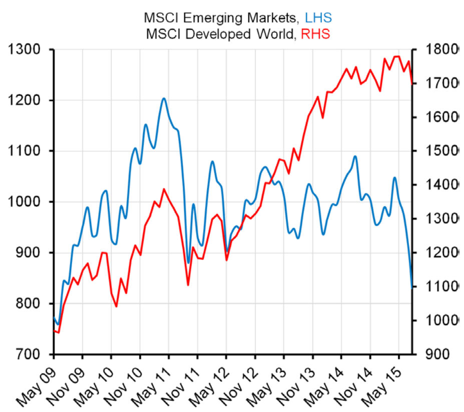
Greece will undergo a sixth general election in eight years following the resignation of prime minister Alexis Tsipras this week. It is probable that fresh elections will take place on 20 September with an interim minister holding office in the meantime. Tsipras called the election following the first tranche of the €86bn bailout package being released to Greece and the European Central Bank confirming a €3.2bn bond repayment by the country yesterday. Brussels remained positive at the news despite the short-term disruption it will cause, in the belief that the new regime will have better success in implementing the reform programme.

Turkey appears to be heading down the same path with new elections expected to take place in the autumn. The Turkish lira depreciated almost 6 per cent in a week against the dollar, and recorded a new low on Thursday. The refusal by the central bank to increase interest rates last week sparked the currency slide, which has been exacerbated further by violence in the south-east of the country between government troops and Kurdish militants.

EM: MARKETS CONTINUE ROUT

The state of the global economy can be neatly summarised right now by the MSCI Emerging Market index setting a near four-year low this week, a 22 per cent drop from the yearly high in April. The latest purchasing managers' index reading from China did nothing to bolster waning confidence in Chinese equity markets, as the Shanghai Composite sank 4.2 per cent during Friday trading. The PMI figure for August was the lowest since March 2009, falling to 47.1 from the previous month's reading of 47.8, and well below the 50 mark which separates expansion from contraction.

The commodity supply glut provides another burden to emerging market countries, particularly those who are reliant on exports to China where demand is slowing. West Texas Intermediate, the US crude oil benchmark, is expected to trade below $50 a barrel for the remainder of this year. With US economic sanctions on Iran likely to end soon, forecasts are that crude will stay persistently low as new supplies flood the market. Bad news for every oil-producing economy.



Data Sourced from FE Analytics, and Bloomberg Finance LP