

**VOLATILE WEEK FOR GLOBAL MARKETS**

This week has been eventful. The FTSE 100 was down a lot on Monday, up a bit on Tuesday, down some more on Wednesday, up a lot on Thursday and, at the time of writing, marginally down on Friday. Most of the trouble occurred at the start of week on "Black Monday", with all the other moves coming from the market trying to work out the correct response. While stock market corrections are not that big a deal, it is coming as something of a shock to China's new generation of investors who have only ever known growth.

While these events have been centred on China, it is perhaps an extreme example of what we have to look forward to from now on. The main driver of the market's mood swings has been uncertainty over how the government will intervene, or if it will back off. With QE needing to be unwound in Europe, the US and the UK; along with the inevitable first rate rise when it eventually comes, this volatility is probably something we're going to have to get used to.

**THE MARKETS THIS WEEK**

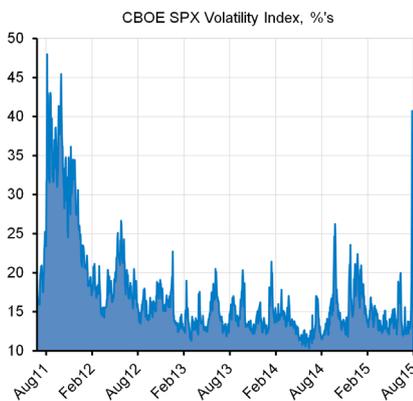
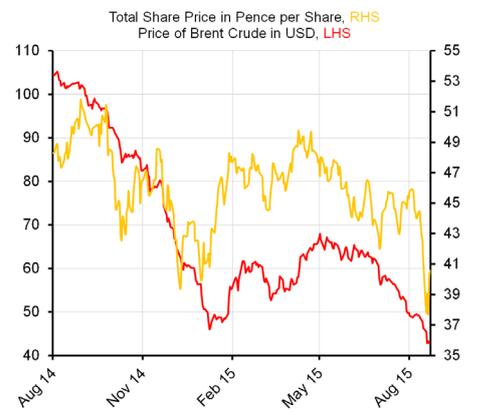
<b>FTSE 100</b>	<b>S&amp;P 500</b>	<b>Nikkei 225</b>	<b>Hang Seng</b>	<b>Dax 30</b>	<b>CAC 40</b>	<b>Ibex 35</b>	<b>Brent Crude</b>	<b>Natural Gas</b>	<b>Gold</b>	<b>Wheat</b>
+0.04%	-2.36%	-1.54%	-3.56%	+1.18%	+0.30%	+0.20%	+1.78%	-0.99%	-2.28%	-2.65%



**UK: OIL GIANT SLASHES NORTH SEA ASSET BASE**

French firm Total will dispose of £900m of its UK assets in response to the continuing decline in oil prices. These include two strategically important pipelines and the St Fergus gas terminal in Scotland. The company has now sold off over £1bn of UK assets in just two months, however Total said that it was not about to let go of its operations in Britain just yet, stating the move is to raise much needed funds. Brent crude has more than halved in value over the past 12 months, which has seen oil companies slash exploration and production costs.

Elsewhere, it emerged that bonuses paid by employers are almost back to their level before the financial crisis. According to the Office for National Statistics, the total amount of bonuses paid out to employees was £42.4bn in the financial year ending 2015, representing a 2.7 per cent increase on the previous year. However, UK bankers' bonuses are a smaller proportion of their total compensation than ten years ago, with only one fifth of their total pay now formed by windfalls, compared to over one third in 2007.



**US: RATE RISE LIKELY TO BE DELAYED**

The possibility of a September rate rise is looking increasingly unlikely, as emphasised by Federal Reserve official William Dudley this week. In addressing a conference, he told the audience that a hike "seems less compelling now" following the global market turmoil that has emanated from China. Market volatility is likely to be one of the more burning issues for the Fed, with the general consensus amongst analysts that the hike will be pushed back to March next year.

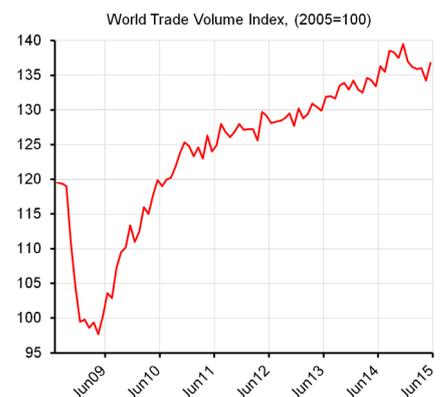
On a positive note, US economic growth outpaced expectations as it expanded at an annualised rate of 3.7 per cent in the second quarter, significantly higher than the first estimate of 2.3 per cent. Higher business spending led to a pickup in inventory builds to fuel strong domestic demand. Importantly, this translated to an increase in consumer spending in the three months to June to 3.1 per cent, contributing over two thirds of economic activity.



**CHINA: RATE CUT GIVES MIXED SIGNALS**

The People's Bank of China cut its key lending rate on Tuesday following a dramatic plunge in the Shanghai Composite index on Monday. The cost of borrowing now stands at 4.6 per cent, with the central bank maintaining that the move is designed to counterbalance the slowdown in the world's second-largest economy. In addition, the PBOC also reduced the reserve ratio, the minimum amount which banks are required to hold as cash, effectively encouraging them to lend more. Although whether already highly indebted Chinese companies, particularly those in property, can absorb more debt is questionable.

China's problems are one reason world trade suffered its largest contraction since the financial crisis in the first half of the year. The volume of global trade fell 0.5 per cent in the three months to June when compared with the first quarter. This may not be a temporary trend, as China is attempting to restructure the economy away from one that is export-led to one more driven by domestic consumption.



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