LABOUR PARTY TO DECIDE ON NEW LEADER

The week has been dominated by the Labour leadership election. Although we won't know the result until Saturday, there is a strong chance the rank outsider turned front runner Jeremy Corbyn will emerge victorious. It probably doesn't matter yet – the election is a long way off, the government will carry on as normal and someone with the same chance of being prime minister as Ed Miliband will be on the opposition bench. Still, the sudden popularity of a position that's been out of vogue for thirty years is puzzling. Does it hint at a fundamental shift in the electorate or is it a reflection of how uninspiring the other candidates are? In any event it will at least be refreshing to see the focus on policy rather than the ability to eat a bacon sandwich.

Elsewhere, the Bank of England voted to keep rates steady, and now all attention turns to the US where the Federal Reserve will be announcing rates on Thursday. While we've dismissed rate speculation many times before, the probability of a rate hike is currently sitting on around 30 per cent according to most analysts, the highest it's been for a while. Whilst our money is on no change, this time the decision is genuinely interesting.

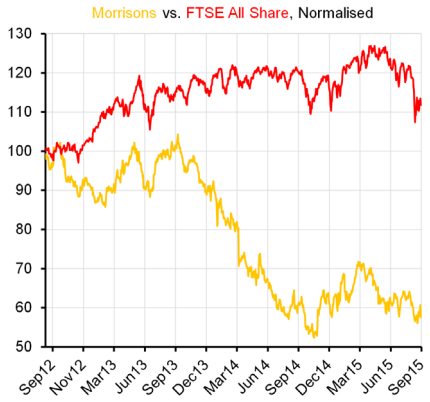
THE MARKETS THIS WEEK

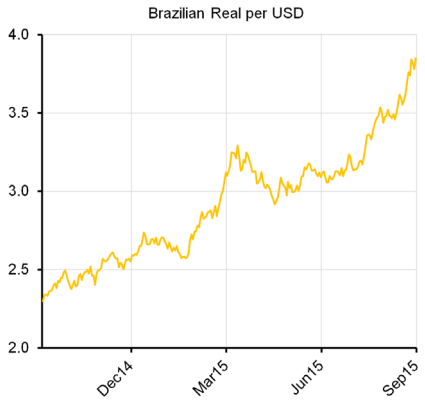
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
+1.41%	+0.18%	+2.65%	+3.18%	+0.55%	+0.59%	-0.95%	-3.16%	+1.37%	-1.47%	+2.52%

UK: BUSINESSES ATTACK LIVING WAGE INCREASE

Several British businesses have hit out this week at the government's initiative to introduce a mandatory living wage. From next April, chancellor George Osborne plans to increase the minimum wage for those over 25 years old to £7.20 an hour, much to the annoyance of some business leaders. Clothing chain Next have said the wage increase would stand them to lose £27m a year by 2020, whilst the Office for Budget Responsibility predicts that the extra costs for businesses will mean that 60,000 jobs could be lost.

Meanwhile, supermarkets Wm Morrison and Waitrose both released disappointing first half-year results this week, recording disappointing falls in sales. Morrisons have announced the imminent closure of 11 of its stores whilst their new chief executive David Potts looks to turnaround the country's fourth biggest supermarket. With German discounters Aldi and Lidl enjoying a remarkable rise in the last few years after the recession hit spender's pockets, analysts expect the two to maintain and maybe increase their market shares in the years ahead.





EM: BRAZIL HANDED JUNK STATUS

This week's decision by Standard & Poor's to downgrade Brazil to junk status will do nothing to alter the opinion that the recession-hit country can lift itself from the mire. The credit rating agency gave a bleak macroeconomic picture for Brazil, owing to its sizeable capital account deficit and seemingly unending government corruption. The Brazilian real plunged further following the statement, meaning that it is now worryingly close to an all-time low against the US dollar, having already fallen by more than 30 per cent this year.

On a wider level, Brazil is being harmed by the slump in commodity prices. The International Energy Agency this week painted a sorry picture for non-OPEC producing countries, with estimates that oil supplies will fall by 500,000 barrels a day to 57.7 million in 2016. With demand picking up again, the IEA say that record-high oil inventories will decline in the second half of 2016 for non-OPEC crude exporters. Prices could stay low for the foreseeable future, with Saudi Arabia pressurising rivals by keeping oil prices low, enabling them to maintain market share.

ASIA: NIKKEI JUMPS ON CORPORATE TAX CUT

The Nikkei 225 soared nearly 8 per cent on Wednesday, as investors welcomed prime minister Shinzo Abe's announcement that the corporate tax rate will be cut. The move to lower one of the world's highest rates by at least 3.3 percentage points will take place next year, with the ultimate aim of getting it below 30 per cent. Abenomics continues to divide opinion in Japan, however the additional fiscal stimulus is seen primarily as a response to disappointing GDP data. The economy contracted by an annualised 1.2 per cent in the second quarter, on the back of weak domestic consumption and a slowdown in export partner China.

Meanwhile, the country's state-owned giant Japan Post, is to be publically listed on the stock market in a bid to raise as much as $11.5bn. The flotation is expected to occur by the end of the year and would entail three separate market listings, including the banking and insurance arms, as well as the post office. The listing would not only be one of the largest seen globally this year, but also the largest public share sale for 30 years in Japan.