

CORBYN STRUGGLES THROUGH FIRST WEEK

The first half of the week has been dominated by people trying to figure out what Jeremy Corbyn is going to do now he's leader of the opposition, not least Jeremy Corbyn himself. While much of the press has been having a field day going through old material, it will take a while for the new man to get a team in place and come up with some serious policies - as the frantic unravelling of positions taken in the leadership campaign can attest to. It probably won't be until after Christmas when we begin to learn what Labour would do about anything in particular.

Elsewhere, there was much ado about nothing as the Federal Reserve kept US rates at their current level. This was probably the first time that we wondered if our dismissal of rate speculation was going to come back and haunt us, but ultimately we have been proved right yet again. Any reprieve will only be temporary however, as December's decision will genuinely be one that is 50-50 and could go either way.

THE MARKETS THIS WEEK

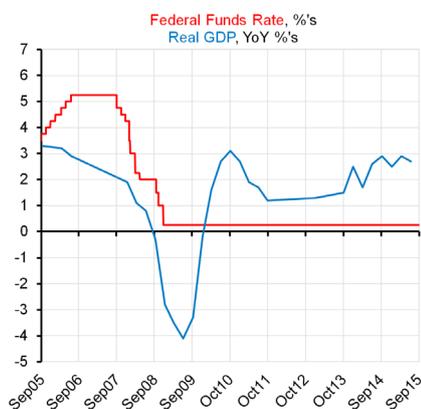
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
+0.11%	+1.94%	-1.06%	+1.94%	-1.19%	+0.00%	+1.57%	-0.17%	-1.19%	+2.74%	+1.68%



UK: INFLATION DROPS BACK TO ZERO

Inflation in August returned to zero after a decline in fuel costs and a minimal increase in clothing prices helped to keep the cost of living low. It is expected that inflation will continue to hover around the zero mark for the rest of the year with a pick-up not likely until at least the beginning of 2016. Falling commodity prices have hampered any potential rebound in the cost of living, as the low oil price stays in the equation for now. It subsequently means that inflation has not met the Bank of England's long-term target of two per cent for the past 20 months.

This period of 'lowflation' is good news for consumers, especially when compounded with the effect of rapid wage growth. Average weekly earnings rose 2.9 per cent in the second quarter, the fastest rate in six years according to official statistics. Hours worked fell 0.4 per cent in the three months to July, whilst the economy grew 0.7 per cent to imply that that the country's much maligned issue of low-productivity might finally be lifting off.



US: DOVISH FED DECIDES TO HOLD RATES

Interest rates have been kept at historic lows following the Federal Reserve's decision not to hike the cost of borrowing. It means that the US central bank will maintain its target rate of between 0 and 0.25 per cent, a level that is unchanged since December 2008. Despite a modest improvement in the US economy this year, concerns still remain over the global picture, with China's slowdown keeping markets volatile and inflation subdued. Policymakers still expect a rise to occur by the end of the year although a handful of them have not ruled out a delay in the decision until early-2016.

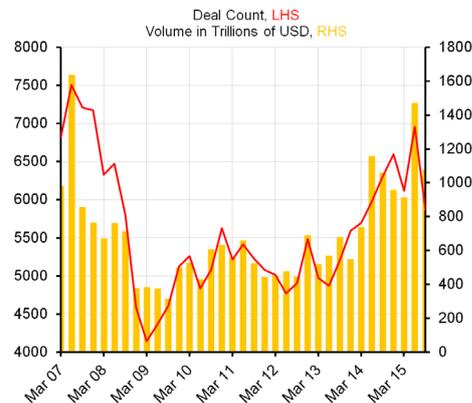
The verdict came as something of an anti-climax considering the feverish speculation which preceded it, with many central banks calling for the Fed to bring the global uncertainty to an end by sending a positive signal on the global recovery. Stock markets fell following the decision not to hike, with Germany's DAX and Japan's Nikkei both down approximately 2 per cent. Gold prices rose 1.6 per cent, as the precious metal tends to rally in times of market hesitancy.



M&A: 'MEGABREWER' TO BE CREATED

The world's largest brewer, Anheuser-Busch InBev, is eyeing up a takeover of rival SABMiller for a combined market value of \$275bn. If successful, the takeover would go on to create a company that produces one in every three beers globally, rank as the sixth largest in history, and be the largest M&A deal seen this year. The brewing industry has been in a consolidation phase recently, driven by Brazilian private equity group, 3G Capital. This particular transaction would bring well-known brands such as Beck's and Stella Artois managed by AB InBev, and Grolsch and Peroni, managed by SABMiller under the same group.

Merger and acquisition activity has been at its strongest this year since the pre-crisis era of 2007, with over \$3tn of transactions carried out according to Thomson Reuters. August meanwhile was the busiest month ever for M&A deals in the US, say mergers analyst Dealogic. Some experts believe that the mass consolidation we are witnessing will allow companies to withstand heightened market volatility and to shore up their balance sheets.



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