CAMERON BEGINS EU DEMAND TALKS

A so called "emergency brake" is being pressed for by David Cameron this week, with the aim of safeguarding the economic interests of non-euro countries. Despite the lack of any detail so far, it is clear that the prime minister is sweating over the upcoming EU referendum after bookmakers revealed that the odds of a Brexit have shortened over the last few weeks. Everyone who is anyone has had their say so far it would seem, including the US who warned of heightened trade barriers if Britain were to leave the EU.

Elsewhere, the Federal Reserve gave their most definitive statement on interest rates yet following an official statement released on Wednesday. However the tireless conjecture over the past few years has no doubt bred much investor confusion and sore heads alike, so this one was no different. A swathe of lacklustre US economic data is unlikely to bolster the bid for a December rate rise, whilst a divergent monetary policy from the Bank of Japan highlights the lack of a coordinated mandate at a time when it would probably be best needed.

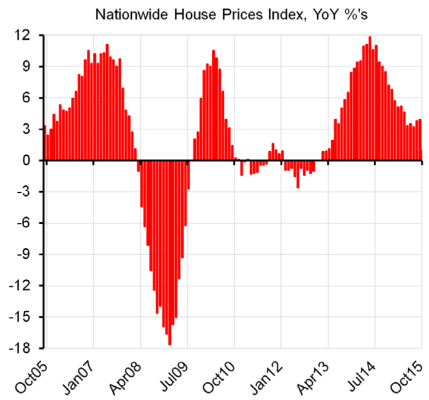
THE MARKETS THIS WEEK

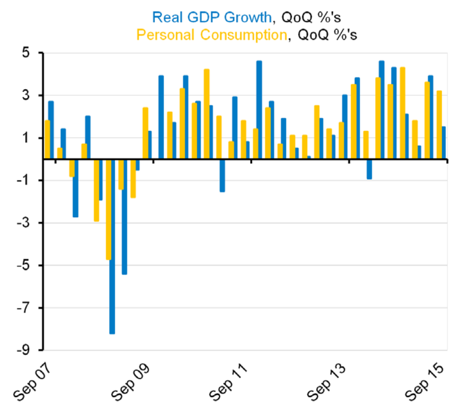
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
-1.15%	+1.80%	+1.37%	-2.21%	-0.21%	-0.93%	-1.83%	+2.63%	-10.09%	-1.93%	+5.76%

UK: FACTORY ORDERS AT THREE YEAR LOW

The gloomy outlook for the construction sector continued as British factory orders fell 2.2 per cent in the three months to September, the largest quarterly decline since 2012. Headwinds which already include insipid global growth and the strength of sterling have been compounded by slowing domestic demand. The weak performance in the construction sector has impacted upon growth also. Figures from the Office for National Statistics reveal that third quarter GDP only grew 0.5 per cent, which was below many analysts' expectations.

Meanwhile, a chronic shortage of housing in the UK means that rents are rising at their fastest rate for nearly three years. Much of this is being fed by London, where prices increased by 4.1 per cent in the year to September, compared to the UK average of 2.7 per cent. The growth in rental yields is however being outpaced by the increase in house prices, the ONS revealing a 5.2 per cent annual rise in August. The data highlights the divergence between rising housing costs and zero inflation, increasing pressure on private tenants.





US: THIRD QUARTER GROWTH SLOWS

The US economy slowed substantially in the third quarter however consumer spending showed no signs of abating, to suggest that expansion remains on track. In the three months to September, GDP slowed to 1.5 per cent on an annual basis from the second quarter figure of 3.9 per cent. The decline was anticipated by Wall Street however and can be mainly attributed to the slower accumulation of inventory by companies, subtracting 1.4 percentage points off the data. The US consumer is still remarkably resilient against the backdrop of a slowing global economy, with consumption rising 3.2 per cent in the quarter.

Elsewhere, oil giant Royal Dutch Shell has reported a third quarter loss of $8bn, compared to a $5.3bn profit last year. The decision to halt a major drilling project off the coast of Alaska was announced last month, whilst further losses were incurred on revisions made to the company's US shale programme. Low oil prices continue to hamper the industry, whilst Shell maintains that it will concentrate its operations on fewer, more profitable ventures moving forward.

CHINA: GOVERNMENT TO SCRAP ONE-CHILD POLICY

The ruling Communist party in China announced this week that it is to cease its one-child policy. All couples are now permitted two children if they wish, however concerns over an ageing population and secular stagnation remain. The landmark ruling follows a four day convention of leaders in Beijing, who painted a more resilient picture as the GDP growth goal for 2020 was set at an ambitious 6.5 per cent. President Xi Jingping's legacy will depend on this plan according to economists, with further details outlining a full dismantling of currency controls to give the renminbi full flexibility in foreign exchange markets by 2020.

The controversial policy has been part and parcel of Chinese society since 1979 and is estimated to have prevented as many as 400m births. Demographic experts however feel that the damage has already been done and the change in tact will have little effect. To achieve such growth by 2020, China will need to engineer productivity and labour force growth in tandem, but its demographic makeup still weighs heavily against such a feat.