GLOBAL MARKETS FALL FURTHER AS INVESTORS SEEK SAFETY

This week marked a quieter one than the first week of the New Year; however the same problems still cast looming clouds over global markets. Fears of oversupply in oil have seen the price of Brent slide further, while equities continue to suffer. It begs the question as to whether investors are fast losing patience with riskier markets and commodities, and finding solace in the safe haven of bonds instead. The shrewd decision by brewer AB InBev to sell a $46bn bond offering this week perhaps illustrates this problem best. After all, by investing in a dependable global brand with predictable cash flows, bond investors can seemingly forget the wider macroeconomic problems we are facing.

Closer to home, the Bank of England predictably held interest rates at their record low of 0.5 per cent. Ignoring the noise reverberating outside of our small island, there wasn't even a pressing case for hiking rates on the domestic front. Business activity is likely to remain subdued for the short-term, while economists' expectations of a rise have once again been pushed back.

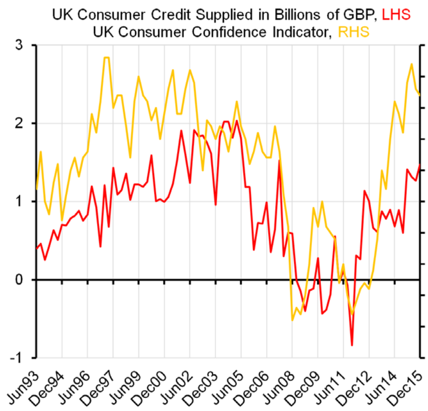
THE MARKETS THIS WEEK

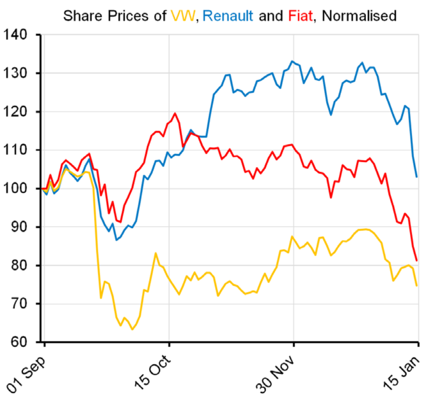
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
-1.35%	-1.09%	-3.49%	-4.56%	-1.93%	-1.86%	-1.83%	-2.63%	-10.09%	-1.93%	-5.76%

UK: TREASURY TO SELL OFF ROYAL MAIL

The Bank of England noted that demand for personal loans and unsecured credit rose sharply in late 2015. As households' appetite for risk grows, BoE governor Mark Carney was however keen to emphasise that the recovery in Britain is not just reliant on a debt binge. An increase in demand for mortgages was also reported alongside a rise in buy-to-let lending. Carney has made no secret of his wish to take action over the high levels of buy-to-let lending in a speech last month, while the Council of Mortgage Lenders forecast that purchases of investment properties will decline in 2016, following five years of continuous growth.

Elsewhere, the takeover of mobile phone network EE by BT Group has been given clearance by the Competition and Markets Authority. Objections had been placed by rival Vodafone over the £12.5bn deal; however the CMA ruled that it posed little threat to competition. The move brings 35 million customers under the same banner, while both BT and EE hold one third of the fixed-line and mobile broadband markets respectively.





EU: GERMAN GROWTH STRONG FOR 2015

The Eurozone's largest economy Germany benefitted from a number of tailwinds, to help the economy expand by 1.7 per cent in 2015. Record low unemployment, combined with rising wages and tumbling oil prices enabled the German economy to profit from an increase in domestic spending. In addition, the benefits of the European Central Bank's decision to stick with a loose monetary policy while others are tightening, looks to finally be filtering down to companies and consumers.

Meanwhile, a host of European carmakers saw their share prices plunge yesterday after the news that Renault's offices had been raided by French authorities last week. The controversy relates to the Volkswagen emissions scandal of September, where software had been fitted into more than 11m vehicles to manipulate emissions data. Investors fearing that fraudulence in the automobile sector had spread punished shares in Renault, as they fell almost 20 per cent during mid-morning trading on Thursday, before recovering to close at 10 per cent down.

OIL: SLIDE IN PRICES CONTINUE

Oil fell further this week as it briefly dropped below $30 a barrel on Tuesday, the first time this has occurred in a dozen years. The fall in prices saw BP announce 4,000 job cuts, which included 600 based in the North Sea, as the oil giant scales back on exploration and production projects. Elsewhere, BHP Billiton revealed this week that they had written down $7.2bn worth of assets in their shale division, as earnings plummeted last year. Despite major cost cutting, many oil majors appear to have been left hideously exposed by the pace of the drop in prices, with Morgan Stanley predicting that oil could sink to $20 a barrel within a few months.

It is estimated that US oil and gas companies are losing a combined total of $2bn a week in the current environment, with other leading banks such as Goldman Sachs and Citigroup warning of potential bankruptcies. All the while, OPEC rejects any notion of capping production in the Middle East in the belief that the market should level out, however the move continues to inflict serious wounds on the US shale industry for now at least.