MARKETS REMAIN ON TENTERHOOKS

This week the market horror show continued, with any hint of bad news being severely punished by investors, before the following day's realisation that maybe it wasn't that bad after all. Looking past the noise, the underlying trend of a slowing Chinese economy weighing on global growth has been understood and expected for some time – each new data point just strengthens or weakens that argument by a minute amount; hardly worth all the drama. The extreme case of a new financial crisis remains a remote possibility however.

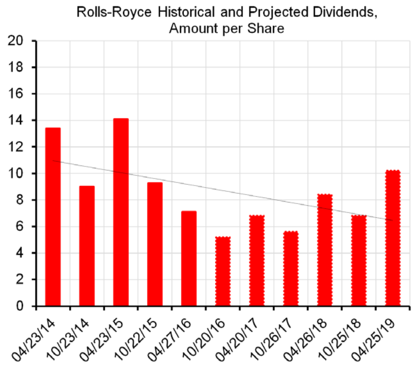
Elsewhere, the primaries for the US presidential election are firmly underway. While these side shows don't usually register on this side of the Atlantic, this year's truly remarkable set of candidates has made for compelling viewing. Expect markets to react violently should either Donald Trump or Bernie Sanders assume the hotseat in the White House.

THE MARKETS THIS WEEK

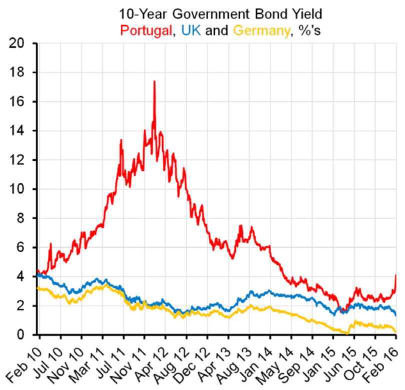
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
-5.32%	-3.32%	-7.81%	-4.63%	-5.74%	-7.24%	-8.86%	-7.87%	+3.88%	+5.64%	-1.82%

UK: ROLLS-ROYCE CUTS DIVIDEND FOR 2016

British engineer Rolls-Royce announced on Friday that it is to cut its dividend for the first time in nearly a quarter of a century. The past two years have been plagued with profit warnings as the company struggles to get to grips with restructuring its troubled marine and civil aerospace divisions, which both made heavy losses last year. Investors however reacted positively to the dividend cut, as there remains a chronic need for the company to overhaul itself if it is to see its earnings recover to positive territory again.



The decision by Rolls-Royce to lower its dividend is part of a growing trend by a number of FTSE 100 giants, especially those with exposure to the troubled mining and energy sectors. Only yesterday, Rio Tinto Group announced that it was "no longer appropriate to maintain the progressive dividend policy" following widespread falls in commodity prices, which had cut its annual profit by 51 per cent in 2015. Therefore, the payout for 2016 will be no less than $1.10 a share, following last year's payout of $2.15 a share.



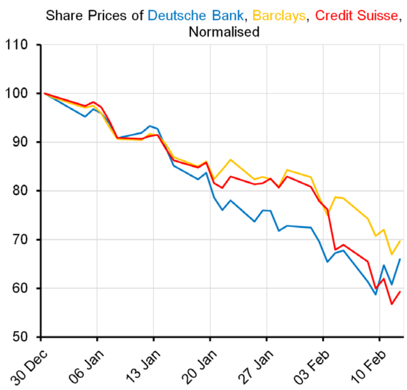
EU: SLUGGISH Q4 GROWTH FOR EUROZONE

Official figures released on Friday shows that the Eurozone remains in anaemic health, as GDP growth registered at 0.3 per cent in the final quarter of 2015. Concerns lay specifically over the figures posted by both Italy and Greece, with the latter contracting 0.6 per cent in the last three months of 2015, meaning that the Greek economy is now back in a recession. Italy still has much to do in terms of fiscal reform, as it looks to outgrow its sovereign debts. German growth was in line with economists' expectations at 0.3 per cent, as the country repelled fears that a manufacturing slump would lead to a slowdown in its broader economy.

Meanwhile, the global market turmoil is filtering down into sovereign debt markets, with yields on a range of peripheral European government bonds jumping on Thursday. Portuguese 10-year paper is now at its highest level since 2014, while Spanish and Italian yields have also spiked. Investors are instead turning to haven assets such as UK and German government bonds, which show that the weaker euro states have still not sorted out their finances.

FINANCIALS: DEUTSCHE LEADS MARKET SELL-OFF

Following the sustained sell-off seen in crude oil of late, investor panic turned to banking majors this week, with Deutsche Bank the focal point of the gloom. Fears surrounding Deutsche's ability to pay coupons on convertible debt sparked a dramatic fall in bond prices; however the bank attempted to allay these concerns by categorically promising to make payments in 2016 and 2017. Shares in Deutsche Bank have fallen by as much as 40 per cent on a year to date basis, while credit default swaps, an instrument which act as a protection hedge against declining bond prices, are trading at their highest level since 2011.



Elsewhere, pressure intensified on David Cameron this week following unfruitful attempts to negotiate on Britain's membership of the European Union. Specifically, the prime minister's wishes to exempt the City of London from the Eurozone's banking rules on fell short. The EU's banking union plan wants ever-closer monitoring by the European Central Bank, although questions still remain over where responsibility would lie for the bailout of a cross-border bank.