

BANK UNDER PRESSURE OVER RATE CUT

Given how we often talk about the tendency of everyday investors to make irrational financial decisions; it is perhaps surprising to find ourselves talking about the Governor of the Bank of England. This week, Mark Carney was summoned before a group of MPs over accusations that the Bank was too aggressive in its move to cut interest rates to historic lows following the Brexit vote. One could argue that the hit to the economy has been softened after an immediate rebound in PMI data in August, following a terrible July – however the truth is that we just don't know what the long-term picture is.

Meanwhile, a 20 per cent increase in the number of people working on zero hour contracts compared to this time last year is hardly healthy reading for the economy. Sports Direct is the most notorious example of a company engaged in such practices, with chairman Keith Hallawell receiving a vote of no confidence at the retailer's annual general meeting this week. In short, the debate will rage on over whether they offer flexibility to workers or are simply an exploitative measure.

THE MARKETS THIS WEEK

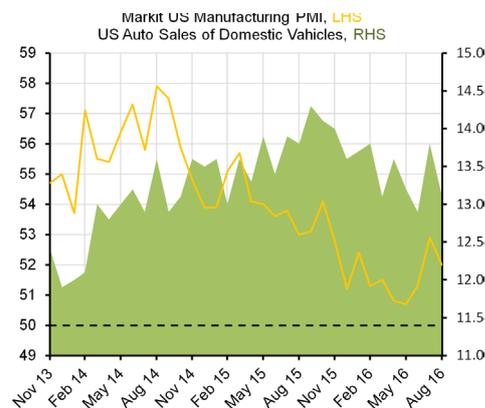
FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-0.65%	+0.48%	+0.24%	+0.14%	+3.58%	+0.01%	+0.08%	+5.67%	+0.85%	+2.31%	+0.05%

US: AUGUST DATA SIGNALS GROWTH COOL-OFF



US Labour Statistics published for August report a slowdown in job growth. The US economy added 151,000 new jobs, 29,000 short of expectations, which keeps the unemployment rate steady at 4.9 per cent. The figures have been closely monitored by Federal Reserve officials lately, as they ponder over another interest rate hike designed to boost the economic sentiment. What will concern them however is news of the latest manufacturing sector PMI reading, which fell to 52 points last month, down from 52.9 in July. Meanwhile, the US services sector also showed considerable contraction registering the steepest fall in growth since 2010.

Meanwhile, US carmakers reported a steeper than expected fall in light vehicles sales for August, with the top three sellers recording a slide of at least 5 per cent. US auto sales fell 4.2 per cent on average for the month due to weaker consumer demand. According to industry analysts, this is a long-expected cooling of the sector, whose sales growth has outpaced that of the broader economy since 2009.

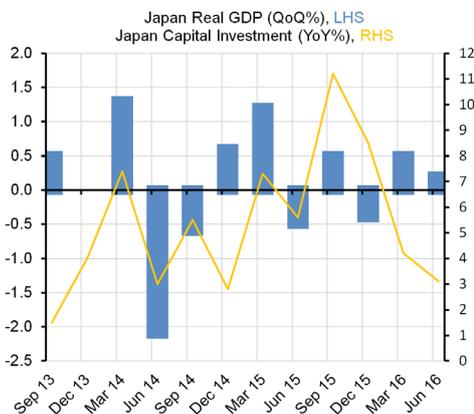


JAPAN: SUCCESSFUL QUARTER FOR ABENOMICS



Japan's Prime Minister Shinzo Abe has good reason to rejoice following the latest revision of the country's quarterly GDP growth, which expanded more than initially forecasted in the second quarter of 2016. The economy grew by an annualized 0.7 per cent in the period ending in June, or 0.2 per cent on quarterly basis, exceeding the zero growth expected. Private inventories contributed most to the upward trend while business spending growth remains in negative territory at minus 0.1 per cent, but better than the fall of 0.4 per cent expected.

The results may influence the Bank of Japan's policy course for the rest of the year, with its September meeting fast approaching. Current Governor Haruhiko Kuroda has hinted at further cuts to already negative interest rates of minus 0.1 per cent as the GDP results are seen as evidence of BoJ's policy success. While the economy may be showing signs of revival, a 0.4 per cent fall in core inflation compared with a year ago still leaves the BoJ with much work to do to achieve their 2 per cent target.



CHINA: RENMINBI WEAKENS FURTHER



The data released by the People's Bank of China shows that the country's foreign-exchange reserves have fallen to their lowest levels since 2011. The \$15.9 billion contraction in August was faster than initial estimates, and shows clearly the efforts of the central bank to keep the renminbi at low valuations. China's currency has followed a path of extended weakening against the US dollar since May this year. Only in August for instance, the renminbi fell below 6.7 renminbi to the dollar, a threshold it has not breached since 2010.

The weaker currency has boosted exports according to reports published this week. Annual exports still showed negative growth of minus 2.8 per cent in dollar terms for August, yet the figures show a significant improvement from the minus 4.4 per cent witnessed in July. While ailing global growth is dragging down export figures, imports rose by 1.5 per cent in dollar terms, which is the first increase since 2014. The positive trend is largely attributed to the revival of the Chinese property and infrastructure sectors.

