MARKETS NERVOUSLY CONTEMPLATE CHANGE

This week the most exciting news was the release of a new plastic Five Pound note; a change that is in stark contrast to most of the week's events, which have been confirming things are staying the same. Data released this week suggests the economy will more or less stay the same; the deal to build a nuclear power plant remains mostly the same; and the market has lowered its expectations of a rise in US interest rates, with the odds now looking like it will stay the same – at least until the end of the year. Nevertheless, this lack of activity managed to cause a minor wobble in the markets.

This inertia is largely to be expected; the condition of most major economies is being driven by long term structural factors and there is unlikely to be any quick turn arounds. In the UK Brexit remains the main catalyst for change, and indeed there is a European summit beginning to discuss a Britain-less future. However former EU President Herman Van Rompuy suggested no real talks will start until after the German general election next year, so inevitably things will likely remain the same for a while longer.

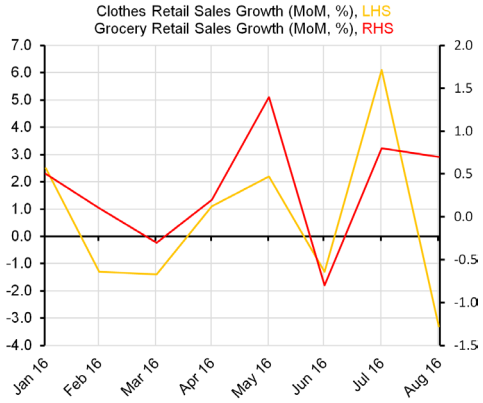
THE MARKETS THIS WEEK

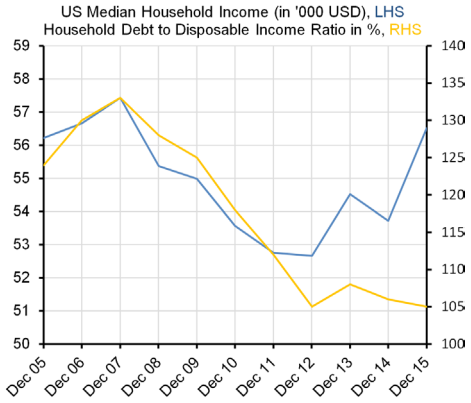
FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-0.91%	-1.56%	-2.63%	-3.17%	-2.44%	0.00%	+0.01%	-4.30%	-0.99%	+5.78%	-0.52%

UK: RETAIL SECTOR DIVERGENCE

Major UK retailers revealed their half-year financial results this week, outlining notable divergence in UK consumer spending. Grocery brands saw a large boost in the first half of the year as Morrisons', the fourth largest grocer, grew profits with 13.5 per cent on annual basis. Clothing retailers however saw falling profits in the first half of 2016 with retailer Next reporting 1.5 per cent down for the period.

Clothes sales for August cooled off, with retailers blaming the sunny weather for lower consumer spending. The total volume of high street sales saw a small decline by 0.2 per cent in August, yet according to the Office for National Statistics, the overall sales volumes went up by 6.2 per cent on an annual basis representing a stable growth trend. Retail profits indicate that there has not been any major disruption to consumers from the Brexit referendum. The expected increase in inflation later in the year as an effect of sterling's depreciation, however, may have more visible effect on the sector.





USA: INCOME REPORT BREAKS GROWTH RECORDS

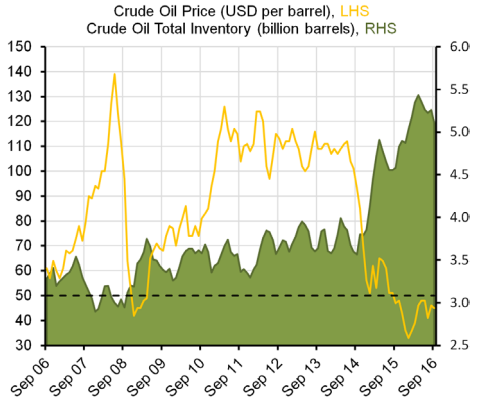
The US Census Bureau published results of annual income growth this week. According to the report, the median US household income grew by 5.2 per cent between 2014 and 2015, which is the highest rate in the bureau's records. Inflation-adjusted household income reached $56,516, with the most significant growth at the bottom and middle of the income distribution, thus marginally reducing income inequality. It is still too early for optimism, however, as both US Presidential candidates have noted that income readings are still below their pre-recession levels.

According to the report US businesses have managed to add 15.1 million new jobs since 2010, which along with wage growth and subdued inflation have benefited households. This is welcome news for the US Federal Reserve, which has been looking for a case for an interest rate hike. Other economic metrics have given less hope; such as the US productivity growth, which has remained negative for the third consecutive quarter, at a level well below its long-run average. There is still no sign of increased inflation, which is the primary indicator.

OIL: NO HOPE FOR CAPPING THE SUPPLY

While OPEC are preparing for a meeting with Russia to discuss limiting oil supply later this month, Libya and Nigeria announced plans for a full-scale return to the oil market. Key Libyan ports in the East of the country have been cleared to trade by the Tripoli government. Officials announced that exports will be restarted immediately, reversing the dramatic fall in the country's oil supply following the 2011 rebellion against the military regime. Libya currently exports less than 300,000 barrels per day or less than a fifth of its previous level of 1.6 million. The Nigerian oil industry has also been disrupted by domestic unrest, yet Exxon Mobil and Royal Dutch Shell have scheduled to resume supply of up to 550,000 barrels a day.

The new supply could more than triple the global surplus with an additional 800,000 barrels a day and keep prices subdued. International Energy Agency has also flagged that development spending of oil companies is still too high for the market to balance, as oil and gas investments averaged more than $700bn a year not long ago when crude priced above $100 a barrel.



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