STERLING JUMPS ON HIGH COURTS DECISION

This week any hopes of finding something different to talk about were cruelly dashed when the high court ruled that the government couldn't trigger article 50 without first running it by parliament. This seems reasonable; the country has decided to leave the EU, but any plan to do so must be at least partly thought through and not something Boris Johnson scribbled on a napkin. It seems even our parliamentarians should be capable of setting that bar. This is apparently not what people voted for according to the usual suspects – although we don't recall appointing Theresa May supreme leader being on the ballot.

Elsewhere, ignoring at least for this week what's going on in the US, Mark Carney gave his most insightful interview yet. There were strong hints that any inflationary pressures would be dealt with, suggesting that a rate rise might come sooner than expected. Previously, it had been assumed that the bank was more relaxed about inflation that normal, but the governor was keen to dispel that myth. While there is a huge amount of wiggle room for the bank when it comes to inflation statistics, expect rabid speculation on rates to begin as soon as Brexit stops dominating the headlines.

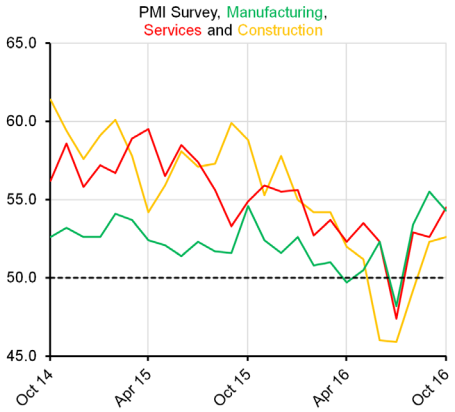
THE MARKETS THIS WEEK

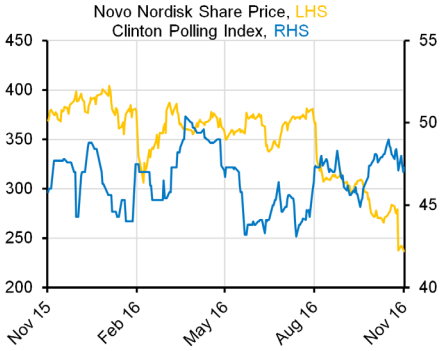
FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-4.23%	-2.08%	-2.49%	-4.20%	-1.36%	-0.05%	-0.11%	-4.15%	+2.24%	+0.61%	+2.47%

UK: CONSTRUCTION HOLDS FIRM IN OCTOBER

The PMI survey of construction in October continued to show signs of growth, reaching 52.6 from 52.3 in September; a figure above 50 indicates growth. The expectation was for this sector to fall slightly in October, given sterling's decline over the summer. This drop in the UK's currency has increased input costs for the construction industry, although this has clearly not affected construction yet. The effect of the uncertainty surrounding Brexit has led some to believe house prices will begin to stagnate next year. Nationwide have reported a stalling in prices for October, the first time this has occurred in 15 months, with many putting the slower growth down to the outlook for rising inflation.

Meanwhile a combination of the High Court's decision to enforce parliamentary approval, and the Bank of England's statement that the post-referendum economy was "notably stronger" than expected, along with their decision to hold interest rates, helped the pound reach a month high. Despite a slight wobble around Theresa May's announcement that the government will appeal the decision, the pound remained up 1.4 per cent at $1.25.





US: MARKETS LEFT GUESSING OVER ELECTION RESULT

With the S&P 500 suffering its longest losing streak for 8 years, in part due to political uncertainty, let's discuss the potential consequences of a victory for either candidate. If Hillary Clinton is declared as president, investors will likely look to sell treasuries in search of riskier assets, raising bond yields and borrowing costs. Pharmaceuticals have struggled lately, as Clinton voices her distaste for rising drug prices, and she is likely to pressure companies to curb these increases. One example is drug maker Novo Nordisk, who has seen its share price move in an almost inverse fashion to Clinton's favourability rating in the polls.

If Donald Trump wins the election, investors will likely flock to safe haven assets pushing the valuations of US equities lower. A Brexit like sell-off is on the cards, perhaps worse than the aftermath of June's election. Precious Metals should move higher, in particular gold and silver which have both previously jumped when Trump's polling numbers strengthened. The Republican nominee's plans for tax cuts and infrastructure spending are also anticipated to benefit both the infrastructure and finance sectors.

COMMODITIES: AGRICULTURE TRIUMPHS WHILST OIL FLOPS

Agricultural commodities have rallied with grains posting a monthly gain of nearly 5 per cent. The large demand for soyabeans, corn and wheat has forced investors to reduce their short positions which rely on future low prices. The rally on the Bloomberg Commodity Index over the last month has been largely influenced by Agriculture's performance, which has helped remove some of the detracting performance of the Energy and Precious Metal sectors however, these sectors remain strong performers year to date.

In the Energy sector crude oil prices continue to slip, and now sit under $45 dollars per barrel. Production continues to surge despite OPECs plans to curb it. Russia's support of OPECs plans had previously pushed prices up but as Russia continue to raise their own output, it seems this support is somewhat unreliable. US oil stocks jumped by 14.4m barrels last week, not only 9 times the predicted amount but the biggest weekly surplus on record. OPEC are set to have a meeting at the end of November, to discuss reduction, the results of which could have a dramatic effect on prices.