

## January Market Commentary – Compliance Notes

The stock markets can do what they like: there's no more accurate barometer of worldwide consumer confidence than McDonald's sales. And in November that confidence was decidedly low.

Evidence of worldwide problems as McDonald's sales significantly down  
Down 2.2% in November on a like-for-like basis  
Down 4.6% in N America, 2.0% in Europe and Asia Pacific, Middle East and Africa down 4.0%

Oil price could fall to \$50 per barrel – worth \$1tn to stimulus to global economy? <http://www.telegraph.co.uk/finance/oilprices/11283875/Bank-of-America-sees-50-oil-as-Opec-dies.html>

But could lead to deflation  
<http://oilprice.com/Energy/Oil-Prices/Ten-Reasons-Why-A-Sustained-Drop-In-Oil-Prices-Could-Be-Catastrophic.html>

<http://uk.businessinsider.com/the-oil-slump-could-plunge-europe-into-deflation-2014-12>

And why deflation is bad news

<http://uk.businessinsider.com/the-oil-slump-could-plunge-europe-into-deflation-2014-12>

[http://krugman.blogs.nytimes.com/2010/08/02/why-is-deflation-bad/?\\_r=0](http://krugman.blogs.nytimes.com/2010/08/02/why-is-deflation-bad/?_r=0)

### UK

Autumn Statement and political fall out – colossal cuts to come warns IFS  
<http://www.bbc.co.uk/news/business-30327717>

(9/12) Tesco in profits warning. <http://www.bbc.co.uk/news/business-30391447>

Profits will not exceed £1.4bn – way below the £1.8 to £2.2bn expected.  
Shares down 16%, following earlier admission that it had 'mis-stated' its profits by £263m

Cheaper fuel cuts UK inflation to 1% - falls to 12 year low  
<http://www.bbc.co.uk/news/business-30493967>

And earnings finally rising faster than inflation after six years  
<http://www.bbc.co.uk/news/business-30518650>

Scotland's 'yes' campaign did it's sums on oil being at \$110 a barrel: it's now \$61

It must have been a bleak Christmas for Chancellor George Osborne as he hung his stocking in Downing Street – with various polls giving Labour a 5%

lead, quite possibly for the last time. The Office for National Statistics had revised UK growth for 2014 down to 2.6%, immediately casting doubt on the Chancellor's growth figures which had been a central part of the Autumn Statement only three weeks previously. Throw in the widening current account deficit – up to £27bn in the third quarter – and it was bad news all round. <http://www.bbc.co.uk/news/business-30585678>

Danny Alexander – Economic Secretary to the Treasury and previously one of the Chancellor's staunchest allies – was quick to see which way the wind was blowing. In an interview with the Independent he accused the Chancellor of planning £60bn of unnecessary cuts and the “Wilful destruction of public services.” Not a brilliant career move in the event of David Cameron staying in power next May...

<http://www.theguardian.com/politics/2014/dec/23/danny-alexander-tory-tax-plans-wilful-destruction>

FTSE – first annual loss since 2011

Brent crude falls below \$59 for first time since May 2009 – an era of cheap petrol? <http://www.bbc.co.uk/news/business-30491801>

## **Europe**

8/12 Gloom over the Eurozone

<http://www.theguardian.com/business/live/2014/dec/08/japans-recession-deeper-german-industrial-output-live>

Austrian central bank chief Edward Nowotny warned of a ‘massive weakening’ in the Eurozone economy, with growth and inflation both slowing down. Waded into the row as to whether the ECB should launch a big programme of bond buying (QE to you and me) saying it could be a “valuable tool.” OECD's latest data has shown growth weakening in Europe, led down by Germany and France

10/12 Snap Presidential Election in Greece leads to Eurozone fears increasing

<http://www.theguardian.com/world/2014/dec/09/stock-markets-tumble-as-greece-calls-election>

The Athens stock market plunged nearly 13% on Tuesday, its biggest one-day fall since December 1987, after the Greek prime minister's shock decision to call early presidential elections.

Markets feared that the high-stakes gamble by Antonis Samaras on Monday night could trigger early elections and pave the way to the stridently anti-austerity Syriza party assuming power. Voting for a new head of state will begin next week.

Other financial markets took the news badly: the FTSE 100 was down 142 points, more than 2%, at 6529, its lowest level since the start of November; Germany's Dax dropped 2.1%; France's Cac closed down 2.4%; and the Dow Jones Industrial Average was 158 points or 0.88%

29/12 Perhaps December's most significant event happened on Monday 29<sup>th</sup> – history may relate – as we all sat at our desks trying to remember what we did for a living. The Greek government failed to get the votes necessary to confirm Stavros Dimas as President. The vote was 168-132 in favour, but the constitution demanded 180 votes and therefore a snap election will now be held within 28 days, quite possibly leading to the radical left coalition Syriza to power. The Greek stock market promptly fell by 7% and it would be a brave man who would bet against further falls before the polls close.

<http://www.theguardian.com/world/2014/dec/29/greece-crisis-president-snap-election>

5 years into Greece's worst economic crisis for decades Syriza – which is stridently anti-austerity – is leading in the polls and is likely to win. It is likely to seek to write off Greece's debt – a small matter of €320bn.

## US

Adds 321,000 jobs in November <http://www.bbc.co.uk/news/business-30343932>

Analysts had forecast 225,000 and unemployment rate stays at 5.8%  
Jobs created has averaged 241,000 per month this year

Uber taxi valued at \$40bn – started in 2009

<http://www.bbc.co.uk/news/business-30338889>

Republicans side with the White House to pass \$1.1tn budget after revolt by Democrats <http://www.theguardian.com/us-news/2014/dec/12/government-shutdown-averted-as-house-passes-omnibus-spending-bill>

Republicans formed an unlikely alliance with the White House in a late-night scramble to pass a \$1.1tn federal budget over the objections of House Democrats, who claim it has been hijacked by Wall Street lobbyists and campaign finance interests.

24/12 US economy growing at fastest pace for 11 years

<http://www.bbc.co.uk/news/business-30585541>

The US economy grew at an annual rate of 5% in the third quarter, its fastest pace for 11 years, official figures suggest.

The US Commerce Department said GDP rose faster than the previous estimate of 3.9% for the July-to-September period, boosted by stronger consumer and business spending.

This was the fastest rate of growth since the third quarter of 2003.

The strong figure builds on the second-quarter growth rate of 4.6%.

Much of the third quarter growth came from consumer spending, which accounts for around two-thirds of US economic activity. Consumer spending grew at an annual pace of 3.2%, the fastest since the fourth quarter of 2013.

## Far East

Japanese recession worse than thought: economy contracted 1.9% in July to September period

<http://www.theguardian.com/world/2014/dec/08/japanese-recession-worse-than-thought>

China imports and exports slow down due to weak demand at home and abroad prompting calls for Beijing to do more on stimulus measures

<http://www.theguardian.com/world/2014/dec/08/surprise-fall-in-china-imports-as-exports-also-slow>

Abe wins re-election for another 4 year term, but confidence falls among Japanese manufacturers <http://www.bbc.co.uk/news/30471809>

Prime Minister Shinzo Abe has been re-elected for another four-year term.

The election was largely seen as a referendum on his economic policies, after a sales tax hike in April failed to revive the world's third largest economy.

But it's a mixed outlook for corporate Japan. The latest Tankan survey - a gauge of sentiment - shows the business mood among Japan's manufacturing firms worsened slightly in the three months to December.

But these companies are also planning to increase capital spending by nearly 9% for the year to March 2015.

Japanese stock market rose 57% in 2013, driven by Abenomics. Highest yearly gain for 40 years – still some way below dizzy heights of 39,000

Shanghai Composite was 2,048 at the end of June. Shares jump on China train merger

Chinese listed shares of the world's largest train makers skyrocketed on Wednesday after the firms announced plans to merge.

China CNR and CSR said they would merge to create a \$26bn (£16.7bn) firm to compete with giants like Canada's Bombardier and Germany's Siemens.

Shares of CNR jumped 45% in Hong Kong, while its Shanghai stocks were up at the daily limit of 10% on Wednesday.

CSR shares were also up over 32% and 10% in both indexes respectively.

The companies shares surged despite a private survey that showed **[manufacturing data](#)** in the world's second largest economy had contracted for the first time in seven months in December.

Shares up despite factory data <http://www.bbc.co.uk/news/business-30640116>

## **Emerging Markets**

Russia prepares for harsh economic winter – rouble has fallen by 50% against dollar this year <http://www.theguardian.com/world/2014/dec/06/moscow-russia-economy-rouble-falls>

Opec and American shale driving oil price down  
<http://www.theguardian.com/business/2014/dec/07/oil-price-down-opec-american-shale>

Why rouble's fall matters to global economy  
<http://www.theguardian.com/business/economics-blog/2014/dec/01/rube-collapse-russia-world-economy>

16/12 Oil price fall leads to rouble plunging and interest rates going up to 17% - junk bond status <http://www.theguardian.com/world/2014/dec/15/russia-interest-rate-rise-17pc-rouble-collapse-oil-price>

Russia's central bank has taken drastic action to halt the rouble's freefall on the foreign exchanges by raising interest rates by 6.5 percentage points to 17%.

After a day of turmoil dominated by fears that a [crashing global oil price](#) would devastate Russia's energy-dominated economy, an after-hours meeting of the central bank in Moscow decided emergency action was needed to prevent the rouble's collapse.

The bank said the increase in borrowing costs – which will deepen Russia's recession if sustained for a prolonged period – was needed to end currency depreciation and to combat inflation.

Higher interest rates tend to make currencies more attractive to foreign investors and the rouble rose against the dollar in the wake of the surprise announcement.

Earlier, a [10% fall in the value of the rouble against the dollar](#) had badly rattled global markets, with the FTSE 100 index in London closing at its lowest level of 2014.

Could Russia go bust? Putin needs to stem the flow of money out of the country <http://www.bbc.co.uk/news/business-30541941>

On the day Greece plunged itself into chaos the first signs of recession emerged in Russia

The Russian economy contracted by 0.5% in November, the first fall in national output - Gross Domestic Product - since October 2009, official figures show.

The Russian government expects a 0.8% decline in GDP next year, compared with 0.6% GDP growth in 2014 as a whole.  
<http://www.bbc.co.uk/news/world-europe-30623489>

