



## MARKET ANALYSIS

August 2008

August saw another month of mixed results across the world's major markets, although trading volumes are generally lower during this month as many traders take their summer break. The UK, US and France enjoyed a month of improvement, whilst Germany ended the month marginally weaker than the start. Asian markets struggled, following signs of clear economic slowdown. However falling oil and commodity prices should start to provide some relief on the inflation front, but in turn may do little for markets where mining and oil companies dominate the make up of the index.

**UK** – We have been suggesting for some months that the UK is on the verge of recession, the most recent evidence now seems to suggest that this is looking even more likely. The Bank of England Monetary Policy Committee continues to walk a tightrope as it is pressured on opposite sides by the forces looking for rate cuts to help stave off recession and to boost the housing market, yet the spectres of inflation continue to loom on the other side, with the Governments favoured Consumer Price Index measurement of inflation now more than double its 2% target.

**Europe** – Concerns about the state of the economies of the Eurozone members continue to rise, with Germany publishing a very weak set of data for the month. This has also contributed in driving the Euro down against the Dollar, although it continues to be strong against Sterling. The economies of Portugal, Italy, Greece and Spain look particularly weak.

**US** – The Dow had a reasonable month, helped by the strengthening of the Dollar and the weakening of oil prices. Concerns remain regarding the banking sector, with rumours continuing to circulate about the health of at least one major bank. Economic data remains patchy, however it now seems more likely that the US will avoid a recession.

**Asia Pacific** – This was the weakest region in the month of August, primarily as a result of concerns about the impact of a reduced demand from the West, especially the US, upon Asian manufactured goods. The continuing reduction in commodity prices has also had a major effect on the Australian market.

### Key Data

	28/8	31/7	+/(-)%
<b>FTSE 100</b>	5636.6	5411.9	4.1
<b>Dow Jones</b>	11543.96	11378.02	1.5
<b>CAC</b>	4482.6	4392.36	2.1
<b>DAX</b>	6422.3	6479.56	(0.9)
<b>Nikkei 225</b>	13072.9	13376.81	(2.3)
<b>Hang Seng</b>	21261.9	22731.1	(6.5)
<b>£ = \$</b>	1.821		
<b>Euro = \$</b>	1.466		
<b>£ = Euro</b>	1.27		

### Interest Rates

<b>Bank of England</b>	5%
<b>European Central Bank</b>	4.25%
<b>US Treasury Reserve</b>	2%

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