MARKET ANALYSIS
July 2009

Equities in Europe and the UK dropped in June, with the US showing some gains on the S&P 500 but a small fall on the Dow Jones. Many commentators are still arguing over whether we are witnessing a temporary bear market rally or merely pausing for breath in a bull market. Markets in Asia fared slightly better posting further increases, albeit at a slower pace of growth.

Key Data			
	30/6	**31/5**	**+/(-)%**
FTSE 100	4249.21	4417.90	(3.8)
Dow Jones	8447.00	8500.33	(0.6)
CAC	3140.44	3277.65	(4.2)
DAX	4808.64	4940.82	(2.7)
Nikkei 225	9958.44	9522.50	4.6
Hang Seng	18378.73	18171.00	1.1
£ = $	1.6463		
Euro = $	1.4043		
£ = Euro	1.1723		

Interest Rates	
Bank of England	0.5%
European Central Bank	1.0%
US Treasury Reserve	0.25%

The FTSE struggled as a result of the general poor performance of commodities, whilst general uncertainty regarding the future regulation of financial markets affected equities worldwide.

Oil climbed to a 2009 high of over $71 a barrel despite an announcement from the International Energy Agency that it has revised downwards its estimates for demand until 2013.

The US Dollar had to fight to secure its status as the world's reserve currency, with China and Russia again politely suggesting that it is unsuitable for one country's currency to be so integral to the global economic system. The lack of any realistic alternative in the short to medium term appears to be the US Dollar's main strength.

Elsewhere in currency markets, Sterling continued to strengthen against the Dollar and Euro, and the Swiss National Bank was forced to intervene to halt the Swiss Franc's rise.

June also witnessed revised economic forecasts from the World Bank and the Organisation for Economic Cooperation and Development (OECD). The World Bank predicted that the global economy will shrink by 2.9% by the end of this year, a substantial markdown on its previous prediction of a 1.7% contraction. The OECD had bad news for the UK, revising its 2009 prediction of a contraction to 4.3% (from 3.5%), though slightly improving its outlook for 2010 to zero from -0.2%.

Interest rates remained unchanged in the major economies, with the US & UK remaining committed to quantitative easing and the European Central Bank (ECB) using the bond market to pump extra funds into the banking sector via its first ever issue of 1 year treasury notes.

UK – The FTSE 100 is down over 4% since the start of 2009 and has contributed to the negative data and forecasts throughout the month. On the political front, Gordon Brown appears to have survived attempts to topple him from within his own party, but Mervyn King, the Governor of the Bank of England added to his growing unpopularity within the Labour Government by suggesting that the path to recovery will be a lot harder than Alistair Darling has predicted. King again reiterated that the main concern is getting the banks back into a position whereby they can lend effectively again.

Europe – The French CAC and German DAX suffered in June and once again are below their 2008 closing levels. Unemployment continues to rise throughout the continent but there are some signs that consumer sentiment is beginning to improve. The effectiveness of the measures taken by the ECB, which have fallen short of the full quantitative easing utilised by the US and UK, were again questioned with one member of the ECB board breaking rank and declaring that he fears the Eurozone will fall behind during a recovery.

US – Mixed data from the US, where the S&P 500 witnessed some marginal growth to keep it in positive territory for 2009, but the Dow Jones fell slightly on the back of negative employment and housing data. US banks were hit with a downgrade in their credit rating, with the disputes about which department of state is going to get the job of regulating banks casting a shadow over the financial sector as a whole. There were even suggestions at the end of the month that President Obama would consider a further financial stimulus package if the economy does not recover quickly enough, though Congress could prove hostile to any further increase in the US national debt.

Asia Pacific – Asian markets continued to improve throughout June, though the pace of growth slowed as global economic worries returned. Asia responded positively to the market data from the US, whilst data from their own markets continued to show improvements in most areas. The Shanghai Composite continues to rise and is now up over 60% since the beginning of 2009, mainly as a result of the massive stimulus package that communist China used to boost the flagging capitalist system. The Governor of the Bank of Japan, Mr Shirakawa, reiterated his conviction that the recovery in Japan has already started, pointing to improving industrial production and exports. Shirakawa did however question the long term effectiveness of the global fiscal stimulus packages, specifically those of the US and China. Only time will tell who is right – Tokyo and Mr Shirakawa or Beijing and President Obama...?