

January was a mixed month for global equities; markets in the US and Europe were up, whilst the UK and emerging markets were both down. The FTSE100 traded up in the first couple of weeks of January, again breaching the 6,000 level, but dropped on the back of disappointing GDP growth figures. Emerging markets suffered as a result of a loss of investor confidence following the troubles in Egypt, whose main index, the EGX30 was down over 20% in January.

GDP growth figures for the 4th quarter of 2010 in the UK and the US both disappointed. In the UK, the initial estimate showed an annualised decline of 0.5%, though areas less vulnerable to the poor weather showed encouraging growth. In the US, the initial estimate of growth of 3.2% was slightly less than analysts had expected, though consumer spending saw its largest quarterly rise in 5 years. GDP growth figures for the Eurozone will be released later in the year, though both equity markets and the single currency enjoyed a welcome boost in January.

Taking the FTSE100 as an example, there continues to be no general consensus on how the markets will perform in 2011. Some analysts are predicting that the index will finish the year at a record high of 7,000, whilst others predict a drop to the 5,000 level; the 2,000 range between the highest and lowest predictions highlighting that the only certainty is uncertainty.

Inflation remains a pressing concern for central bankers in the UK, US and Eurozone with the Consumer Price Index in the UK rising to 3.7%. Inflation in the UK has now remained above the 2% target by one percentage point or more for 13 months. Of more concern is that these figures do not take in to account the increase in VAT on 4 January 2011 or the rising petrol prices. As a result of these latest figures there is growing momentum for a rise in the base rate of interest, possibly as early as April or May.

Elsewhere, there was a classic example of political unrest affecting global economics as the price of cocoa jumped nearly 7% on 24 January following a one month export ban imposed by the President Elect of the Ivory Coast. The measure was taken in an attempt to oust the incumbent President who has refused to concede defeat. The Ivory Coast is the world's largest producer of Cocoa, accounting for

Key Data			
	31 Jan 2011	31 Dec 2010	+ / (-) %
FTSE 100	5,862.94	5,899.94	(0.6)
Dow Jones	11,891.93	11,577.51	2.7
EuroStoxx50	2,953.63	2,792.82	5.8
Nikkei 225	10,237.92	10,228.92	0.1
Hang Seng	23,447.34	23,035.45	1.8
MSCI EM	1,119.08	1,151.38	(2.8)
Crude Oil	\$90.98	\$91.40	(0.5)
£ = \$	1.601	1.559	2.7
Euro = \$	1.370	1.337	2.5
£ = Euro	1.169	1.166	0.3
Interest Rates			
Bank of England Base Rate			0.5%
ECB Refinancing Rate			1.0%
US Fed Funds Target Rate			0.00% -0.25%

around 40% of global supply.

In February, analysts in the UK will study the minutes of the Monetary Policy Committee meeting for an insight into whether rising inflation or the shock drop in GDP is of more pressing concern for the central bank. The consensus view is that a rate rise is not likely until later in the year, though the number of members voting in favour may increase.

UK

Following on from the disappointing GDP growth and stubbornly high inflation figures, consumer confidence also took a hit in January with the lowest level recorded in 22 months. However manufacturing continued to grow, up 0.6% month on month. With the other sectors of the economy underperforming or adversely affected by the weather, manufacturing was the strongest performing sector, not something that could have been said many times in recent years.

EUROPE

With the European Central Bank not engaging in quantitative easing, unlike its counterparts in the UK and the US, there is increasing concern at the rising rate of inflation which now stands at 2.4%. Although an interest rate rise is not likely until the second half of 2011, managing the various needs of the member states is proving difficult with central bankers waiting on definite signs of a consumer recovery in Germany and France before risking a reversal in the fragile recovery.

US

President Obama's State of the Union address had little impact on equity markets, despite reaffirming his belief that there is no need to lower corporation tax rates to assist small businesses. Some commentators have been pointing out that the US is currently experiencing the most unpopular bull run in history, with equity markets doubling since their 2008 lows but unemployment remaining as high as 10%.

ASIA/PACIFIC

Standard & Poors (S&P) cut their rating of Japan's long term debt from the prized AAA to AA in January, the first cut since 2002. S&P cited the lack of a 'coherent plan' to deal with the countries soaring national debt fuelled by the ageing population. The cut puts Japan on the same level as China and further illustrates the shift in economic power in the region.

EMERGING MARKETS

The man widely regarded as coining the term 'BRIC' in respect of the emerging economies of Brazil, Russia, India and China has suggested that BRIC countries can no longer be considered to be 'emerging' markets given their importance in the global economy. He suggested calling these four economies (along with similar economies such as Turkey, Indonesia and Mexico) 'growth economies' with the term 'emerging markets' applying only to economies accounting for less than 1% of global GDP.