

Most of the headlines in June were dominated by another crisis in Greece as the Government forced through a further austerity budget to pave the way for additional bailout funds from the IMF and Europe. Global equity markets were forced down throughout the month as investor confidence was shaken, but most of the markets reported here recovered to record only small losses over the month.

The Parliamentary vote in Greece at the end of the month paved the way for the country to receive a further €12 billion in bailout funds. Many analysts remain convinced that a Greek default is inevitable at some point in the future, however the situation is being carefully managed by Eurozone authorities to try and mitigate the risk of contagion. It's thought by some that an orderly debt restructuring with continued support from the EU and IMF is Greece's best option. The 'denial of the inevitable' may well lead to a disorderly default with far greater consequences.

In the US, the Dow Jones was down over 1% in June following disappointing manufacturing output figures and a drop in consumer and investor confidence. With the recovery still seemingly stalling in the US, the potential for a third round of quantitative easing measures is beginning to be seriously discussed amongst officials.

Public sector strikes in the UK provided the first serious battle in what is likely to be a long war between the Government and various groups which will face the brunt of budget cuts. The timing of the strikes was a little unfortunate coming on the back of the announcement of job losses at Lloyds Banking Group and more recently Bombardier. Officially the unemployment rate in the three months up to April 2011 dropped 0.3% to 7.7%, though there are fears that this might rise in the coming months.

All of the global economic concerns combined to lead to a reduction in the price of oil, down over 7% in June. In currency markets, progress towards the acceptance of the second tranche of funds essential for the Greek bailout plan led to the Euro strengthening against the US Dollar and Sterling, with Sterling also losing ground to the US Dollar.

Key Data			
	31 May 2011	30 June 2011	+ / (-) %
FTSE 100	5,989.99	5,945.71	(0.7)
Dow Jones	12,569.79	12,414.34	(1.2)
EuroStoxx50	2,861.92	2,848.53	(0.5)
Nikkei 225	9,693.73	9,816.09	1.3
Hang Seng	23,684.13	22,398.10	(5.4)
MSCI EM	1,167.97	1,146.22	(1.9)
Crude Oil	\$102.70	\$95.30	(7.2)
£ = \$	1.645	1.607	(2.3)
Euro = \$	1.438	1.452	1.0
£ = Euro	1.144	1.107	(3.2)
Interest Rates			
Bank of England Base Rate			0.5%
ECB Refinancing Rate			1.25%
US Fed Funds Target Rate			0.00% -0.25%

UK

Analysts in the UK await the initial estimate of GDP growth in the second quarter of 2011, due to be announced in July. Many suspect that the extended period of 'economic inactivity' over the Easter period, aided by the extra day off for the Royal Wedding, will lead to lacklustre growth. The estimate will be seasonally adjusted to take in to account the Easter break, but following poor figures over the last two quarters, the Government will be looking for some evidence that a sustainable recovery is underway.

EUROPE

Away from the controversy regarding the Greek bailout, economic data from the EU continues to give a mixed picture of the recovery. Retail trade volume was down over 1% in May, unemployment remains at just under 10% but industrial orders were up nearly 1%, including a bumper 11% in Ireland. Taken as a whole, the figures suggest an economy still in trouble, with or without the added problems of member state sovereign debt.

US

Despite the largely disappointing data out of the US in June, there was some reason for some optimism in the housing sector, with the number of new sales up. The housing sector remains a troublesome area for the US economy, not least because of the infamy of the mortgage backed securities sold by many of the Banks prior to the crash. The Bank of America finally settled investor claims on mortgage back securities in June by agreeing to pay a total of \$8.5 billion.

ASIA/PACIFIC

The rise in interest rates in China in June was the ninth since October 2010 and it is hoped it will help to control inflation which has sped up to a 34 month high of 5.5%. The Chinese government keeps a tight control on deposit rates by setting a maximum and minimum deposit and lending rate, guaranteeing the banks a margin of around 3% whatever the headline interest rate.

EMERGING MARKETS

Equities in Emerging Markets were down overall in June, with the MSCI Emerging Markets index suffering a fall of nearly 2%. These figures conceal a myriad of different countries and economies, with the performance of the larger developing economies having a substantial effect on not only the index but their neighbours. For example, Brazil is one of the largest developing economies and equities dropped over 3% in June which was matched by similar falls in Argentina and Chile. A few developing economies did manage positive equity returns in June, with the Jakarta index in Indonesia up over 1% and the National Index in Turkey up 0.5%.