

Equities continued to be volatile throughout September, with losses recorded on all the indices reported here. The primary factor influencing market movements still appears to be the Eurozone Sovereign debt crisis and its impact on global economic growth prospects. The largest losses were seen in Hong Kong and across the Emerging Markets, as reported by the MSCI Emerging Markets index, both down over 14%. The FTSE 100 traded below the 5,000 mark several times throughout September, finishing the month at 5,128.48, down nearly 5%.

The debt problems in the Eurozone are well documented, though there is now an increasing realisation that a default of Greek national debt is all but inevitable. In response, the Eurozone members announced more powers and funds for the European Financial Stability Facility which now has a reserve of €440 billion to assist members in difficulty. Sceptics have pointed out that this amount will prove to be insufficient should Italy or Spain require assistance, with concerns about Italy increasing following a downgrade in their credit rating by both S&P and Moody's. Many politicians and commentators are pressuring the Eurozone leaders to announce a definitive plan to deal with the crisis, with the British Chancellor of the Exchequer, George Osborne, pinpointing the upcoming G20 meeting in early November as crucial in that respect.

Fears of weak economic growth in the US prompted President Obama to announce a £450 billion stimulus package, with a mix of tax cuts and spending plans designed to create new jobs. It is likely the President will have trouble getting the bill passed through Congress, with Republicans suggesting the announcement was aimed at propping up the President's support before the Presidential elections in November 2012. The Federal Reserve also announced its own stimulus package which will see it sell around \$400 billion of short term bonds and use the proceeds to buy longer term debt. Dubbed 'Operation Twist', the policy tries to 'twist' the yield curve, keeping long term interest rates suppressed with the aim to increase medium to long term lending available from banks.

In contrast to strong growth over the last few months, the price of Gold dropped more than 10% in September on fears of an unsustainable price bubble. In currency markets, investors returned to the US Dollar as a safe haven, with the US currency strengthening against both the Euro and Sterling.

Key Data			
	31 Aug 2011	30 Sept 2011	+ / (-) %
FTSE 100	5,394.53	5,128.48	(4.9)
Dow Jones	11,613.53	10,913.38	(6.0)
EuroStoxx50	2,302.08	2,179.66	(5.3)
Nikkei 225	8,995.20	8,700.29	(3.3)
Hang Seng	20,534.85	17,592.41	(14.3)
MSCI EM	1,033.15	880.43	(14.8)
Crude Oil	\$88.77	\$81.00	(8.8)
£ = \$	1.624	1.562	(3.8)
Euro = \$	1.438	1.342	(6.7)
£ = Euro	1.129	1.164	3.1
Interest Rates			
Bank of England Base Rate			0.5%
ECB Refinancing Rate			1.5%
US Fed Funds Target Rate			0.00% -0.25%

UK

The eagerly awaited Independent Commission report into Banking in the UK led by Sir John Vickers was published in September. As expected the main recommendations included requiring banks to split their retail bank operations from the more risk taking investment banking activities. The newly ring-fenced retail banks would be more limited in the activities they undertake and would be required to keep an increased level of capital reserves to lower the chance of failure and state rescue in any future financial crises.

EUROPE

Adding to the woes in Europe, inflation hit an unexpected three year high of 3% in September. Analysts had expected the European Central Bank to reverse its recent interest rate rise to help the struggling economy, but these latest inflation figures have made their decision harder to predict.

US

There was some good news in the US in September, with the announcement that second quarter GDP growth was revised up to 1.3%. This represents a strong increase from the disappointing figure of 0.4% in the first quarter. There were also indications that the unemployment crisis might be easing, with the number of initial claims for unemployment benefits dropping below the 400,000 mark for the first time since April.

ASIA/PACIFIC

In China, attempts to control the spiralling cost of living appear to be working with inflation dropping to 6.2% in August, down from 6.5% in July. Although the Chinese government is aware of the potential impact of slowing global growth as a result of the Eurozone debt crisis, its main concern remains keeping control of a domestic economy that has propelled growth since the global crisis of 2008 diminished export opportunities.

EMERGING MARKETS

Significant losses in equity markets across a range of emerging market nations highlighted the impact of the Eurozone crisis on limiting investor risk sentiment. Markets in Brazil and Chile were down 7.5% and 8.2% respectively, whilst Asia was also badly hit with the Taiex index in Taiwan down nearly 7% and the South Korean Kospi index down 6%. Particularly badly hit were shares in North Africa, a region still dealing with the after effects of political upheaval and continuing warfare in Libya, with stocks in Egypt down over 10%.