GREEK BAILOUT REVIEW BRINGS TROUBLE

This week we welcome back an old friend, the Greek debt crisis. The latest review of its bailout has stalled, with the Greeks wanting more debt relief and less reforms, the IMF wanting more debt relief and more reforms and the Germans wanting less debt relief and more reforms. The situation has become the international financing version of having one boat, some grain, a chicken and a fox. While that riddle has a single correct course of action, there are a range of options facing the Troika, and a small but significant number include Greece defaulting and exiting the Euro.

Elsewhere, away from the relative comfort of a possible disorderly breakup of the Euro, it's been three weeks since the inauguration and President Trump shows no signs of slowing down. This week he picked a fight with federal judges and a clothing company that no longer wants to enrich members of his family. The most welcome news was a report that his team have been meeting in the dark because no one can find the light switches in the White House. We hope the nuclear launch codes are as well hidden.

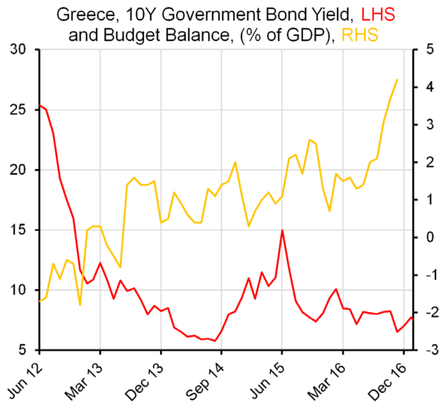
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 500	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
+0.98%	+1.18%	+2.44%	+0.30%	+1.93%	-0.05%	-0.08%	-1.35%	+0.40%	+2.85%	+0.14%

GREECE: DEBT CRISIS RESURFACES

Despite Greece realising positive growth in 2016 the International Monetary Fund, IMF, has taken a pessimistic view of the country's finances. The fund believe the current debt levels are unsustainable and on an "explosive" path. The IMF's views seemed to have surprised the European Commission, even with the IMF committee repeatedly stating that the agreement is too stringent. A particular focus for the IMF is the 3.5 per cent budget surplus requirement by 2018, the committee think this should be reduced to 1.5 per cent. Both Athens and Brussels believe the current level is acceptable, but disagree on the time frame. The uncertainty of the future of the programme has sent Greece's short-term two-year bond yields above 10 per cent and the 10-year bond yield climbed 20 basis points.

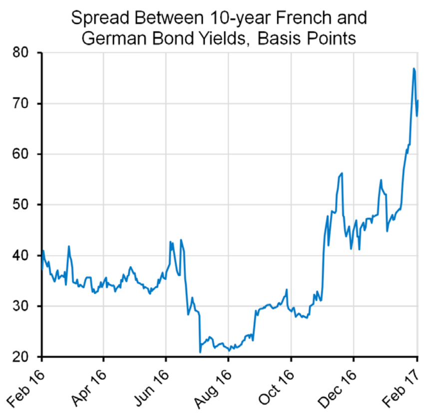
Unfortunately, this situation is under severe time constraints with several European elections looming and the window for an agreement is narrowing. Greece is due to repay €7bn in July and will be unable to do this without further help. A compromise is needed but it seems unlikely that within the timeframe available any involved party will leave the negotiation table happy.



EU: INVESTORS FEAR FURTHER POLITICAL UPHEAVAL

Following two unexpected events in 2016; Brexit and Trump, investors are demanding higher returns for increased risk in Europe, stemming from political uncertainty. The expected outcomes of the upcoming French, Dutch, German and possible Italian elections this year are becoming less clear as time goes on. The recent François Fillon scandal revealed the presidential contender's wife and children were previously employed by parliament and paid handsomely from taxpayer funds. Investors responded to this information by retreating into US Treasury bonds, German bunds and UK gilts, generally considered safe haven assets. As a result, the yield on the US 10-year Treasury note experienced its biggest one-day slide since the referendum.

The withdrawal from French government debt resulted in the French-German 10-year yield spread climbing to levels last seen at the height of the Eurozone debt crisis. Although this spread has eased slightly, it doesn't appear to be going away just yet. The yield on French 10-year bonds jumped from a record low of 0.1 per cent in July, to a high of 1.16 per cent on Monday.



US: ENERGY GETS A BOOST

Wall Street appears to be in an energy love bubble lately, as optimistic investors believe the industry is in recovery. The recent boost in oil price to above $50 a barrel as well as an increase of rigs in use across both the US and Canada, resulted in energy firms raising $6.64bn in January. Companies that provide fracking and drilling equipment are particularly in favour. One such company, Weatherford International Plc are now charging more for the use of their equipment, some of which is now around 25 per cent higher than last December.

Parsley Energy Inc. also returned to the market on Tuesday to sell 36 million new shares to fund their acquisition of drilling rights in Permian, West Texas. Although Trump remains hard to predict, the US President commented on Thursday that oil companies will be making "massive" investments. Not wishing to put a dampener on the optimism but... the increase in oil price is predominately attributed to the OPEC agreement and an increase in US production is in all likelihood going to somewhat counteract cuts made by OPEC member nations.