
## GEOPOLITICS DISGUISES INTENTIONS IN OIL DEBATE

This week the markets have been even more jumpy, with every detail of the possible deal between Russia and Saudi Arabia to limit oil production sending markets either soaring or crashing, depending on the interpretation. Any deal is doomed to failure. Students of game theory will recognise that all parties will have a huge incentive to renege on any agreement and gain at their counterpart's expense. On top of this structural flaw, the actors involved in this particular deal, Iraq, Iran, Russia and Saudi Arabia are all pursuing agendas beyond maximising oil revenues. The opportunity to screw over a rival will surely be too good to pass up.

Elsewhere, there has been a lot of noise about Brexit as news of David Cameron's progress in Brussels slowly trickles out. Brexit has already replaced interest rates as the most annoying source of pointless speculation; however we don't think this issue warrants too much attention until there is something more concrete to go on. It won't be worth assessing positions until the actual referendum date has been announced.

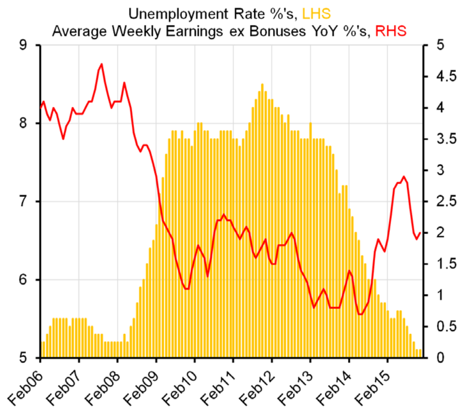
## THE MARKETS THIS WEEK

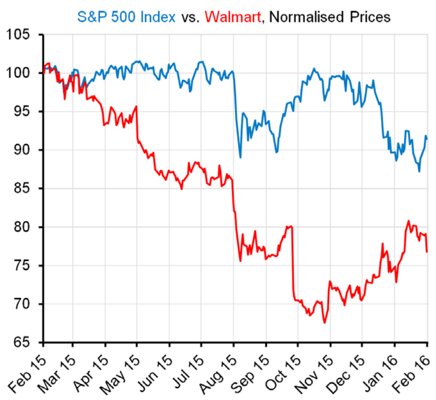
| FTSE 100 | S&P 500 | Nikkei 225 | Hang Seng | Dax 30 | CAC 40 | Ibex 35 | Brent Crude | Natural Gas | Gold | Wheat |
|---|---|---|---|---|---|---|---|---|---|---|
| +4.63% | +4.05% | +8.32% | +5.70% | +5.53% | +6.13% | +4.73% | +3.62% | -9.78% | -3.16% | +0.87% |

## UK: EMPLOYMENT FIGURES PUZZLING FOR BANK OF ENGLAND

Figures released by the Office for National Statistics this week signal unemployment in the UK fell by 60,000 in the three months to December. The jobless rate remains at 5.1 per cent, which is the lowest felt by the economy in a decade while the number of people in work now stands at 31.4m, the highest since records began in 1971. Despite a tightening labour market, British wage growth remains sluggish as reported by the Bank of England on Wednesday; with average weekly earnings slowing in the final quarter of 2015.

Poor UK wage growth could stem from the lack of conviction many companies have over the health of the global economy. Thousands of job cuts for the coming months have been announced, with train manufacturer Bombardier declaring this week that 1,350 posts were to be culled over the next two years. Lloyds Banking Group have already pencilled in 1,585 jobs to be axed while education publisher Pearson have proved that no sector is immune to slowing global growth, announcing that 4,000 jobs will go following two profit warnings in three months.




## US: FED MINUTES GIVE UNCERTAIN GLOBAL OUTLOOK

Minutes from the Federal Reserve's January meeting did not make for pretty reading this week. It was only in December that Fed Chair Janet Yellen noted 2016 would yield four separate rate rises, however a tumultuous January for global stocks prices and commodities has forced a rethink for policymakers, with Yellen suggesting that the Fed could following suit in "taking a look" at negative rates, after Japan introduced them last month.

Meanwhile, the world's largest retailer Walmart has reported a first annual decline in sales for 35 years, highlighting the challenges posed by ecommerce and the strong dollar. The company has significant overseas operations in Brazil and China, while also having UK subsidiary Asda under its wing. Revenue fell by 0.7 per cent to $482.1bn in the twelve months to January, however stripping out the effect of dollar strength would have led to another yearly increase in sales. Walmart has seen its market share eroded over the past few years, while it is spending billions to shore up its online business as the competition with Amazon intensifies.

## VENEZUELA: MADURO ANNOUNCES EMERGENCY MEASURES

The fallout from the commodities rout was finally revealed on Thursday to exasperated Venezuelans, with the central bank reporting that inflation in the economy had hit 180.9 per cent in 2015. As well as having one of the highest inflation rates in the world, Venezuela's economy also contracted 5.7 per cent in the same period. Emergency measures will be introduced by President Nicolas Maduro in response to the harrowing economic figures, as he looks to increase the price of fuel for the first time in nearly 20 years. Venezuelans have long-enjoyed discounted fuel which equates to the cheapest globally at $0.08 per gallon, while Americans pay $1.98.

On Tuesday, the country joined Saudi Arabia, Qatar and Russia in agreeing to freeze oil production at January levels, but this is only contingent upon other oil producing economies doing the same. Iran has only re-entered the market following the lifting of sanctions last month, so has a preference to increase oil output rather than stem production.