MARKETS UNAFFECTED BY PARIS ATTACKS

In a week where the world looked on in horror at the gravity of the attacks in Paris last Friday evening, markets held their nerve in the days that followed. Unlike in the wake of previous terrorist attacks, stock markets have rallied, however this is most likely representative of the existing faith that investors have in developed economies to remain resilient against such attacks. In economic news, the big talking point from the week surrounded the Federal Reserve. The "will they won't they" conjecture continues, but the probability of a hike in interest rates finally arriving in December looks robust.

European travel companies were the biggest losers this week as investors expressed their concerns over the health of the tourism industry in the aftermath of Friday's attacks. Hotel group Accor, Air France KLM and Eurotunnel all posted losses on Monday however all three stocks had recovered by the end of the week. What this goes to show is that despite any negative short-term event, it is only usually a short, sharp shock before the market focuses on company-specific news or fundamentals instead.

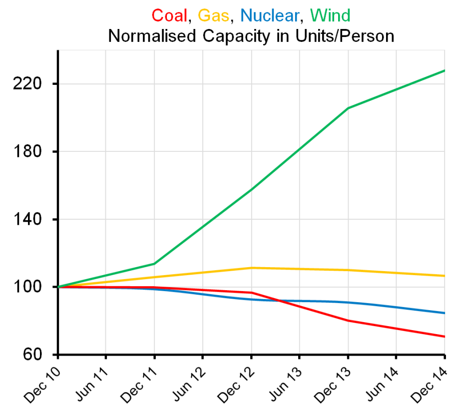
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
+3.70%	+1.72%	+1.44%	+1.60%	+3.98%	+2.34%	+2.13%	-0.38%	-6.57%	+0.18%	-0.86%

UK: COAL ENERGY TO BE PHASED OUT BY 2025

All coal-fired power stations in the UK will be shut down within ten years according to proposals set out by Amber Rudd, the energy secretary this week. The signal which this sends ahead of the UN Climate summit in Paris is particularly poignant, although campaigners argue that not enough is being done by the government to promote renewable sources of energy. Subsidies for green energy were cut earlier this year however renewables still generate one quarter of the UK's electricity. On the other hand, coal accounts for approximately 20 per cent of production, so replacing this inevitable void is the next challenge for the government.

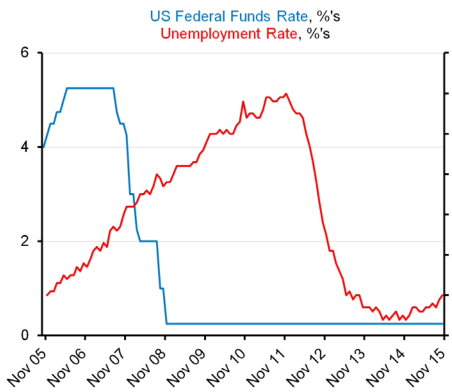
Meanwhile, the Council of Mortgage Lenders has reported the highest growth in mortgage lending for seven years. In the twelve months to October, mortgage lending was up by £21.8bn, a 20 per cent increase on the same time last year. Record low interest rates are keeping market sentiment high according to the CML, with buyers looking to purchase before rates are hiked by the Bank of England.



US: FED MAKES PRESSING CASE FOR DECEMBER RATE RISE

Last month's US Federal Reserve meeting indicated that a rate hike in December is now a real possibility. Noticeably, the majority of members believe that conditions stemming from a rise in borrowing costs next month "could well be met". Although the minutes also revealed scepticism among some Fed policymakers over the strength of US data by December, the jobs figures released after the October meeting were highly encouraging. Interest rates have not been increased since 2006 but the market seems to have already priced in such an event, so the impact upon stock prices may not necessarily be negative.

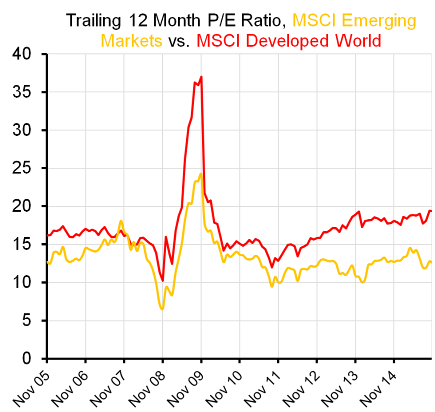
Inflation in the US increased modestly last month, one of the key economic indicators to a rate rise. The core consumer price index rose 0.2 per cent in October which means that the annual inflation rate stands at 1.9 per cent. As the labour market tightens further, the expectation is that full employment will put upward pressure on wages, enabling inflation to hit its 2 per cent target over the medium term.



EM: VALUATIONS AT ALL TIME LOW

The recent sell-off in emerging market equities has sent valuations spiralling downwards, to the extent that they are now at record lows. At the end of September the MSCI Emerging Markets index plunged to 12.8 times 10-year average earnings, say JPMorgan, below the 13.5 times recorded in the midst of the Asian financial crisis in 1998. Concerns over the ability of EM stocks to continue generating strong corporate earnings are not unfounded according to analysts, now that the rapid growth of China is coming to an end.

Only this week China's President, Xi Jingping admitted that his country's economy is facing "considerable downward pressure". His speech at the Asia-Pacific Economic Cooperation summit in Manila follows a swathe of disappointing third quarter economic data. In the twelve months to October, China grew below 7 per cent for the first time since the financial crisis, not that the alarm bells are ringing for Beijing. Their central bank still has a great deal of flexibility on monetary policy, as illustrated by the central bank cutting interest rates again this week.



Data Sourced from FE Analytics, and Bloomberg Finance LP