

BRANCASTER HOUSE

BANK OF ENGLAND USHERS IN A "NEW NORMAL"

This week felt like a throwback to a more innocent time, when simple things like the Bank of England's Monetary Policy Committee were all we had to worry about. Mark Carney surprised precisely no one on Thursday when he announced a hike in short-term rates to 0.75 per cent. Some have been quick to paint this as part of a "back to normal" trend, but with rates still below one per cent a decade after the crash, we're not so sure normal is what we think it is anymore. The market mostly agrees, with long-term forecasts for growth and inflation being cut and the pound taking a heavy hit.

Elsewhere, Apple has become the world's first trillion-dollar company. While valuations of American gadget makers aren't that important, it's worth taking a moment to consider just how much money a trillion dollars really is (\$1,000,000,000,000) and what Apple actually does for that money. It employs just 123,000 people, having mostly outsourced its manufacturing. That a company can make so much from just designing products is a testament to its forward-thinking business model and probably a massive failure of antitrust legislation.

THE MARKETS THIS WEEK

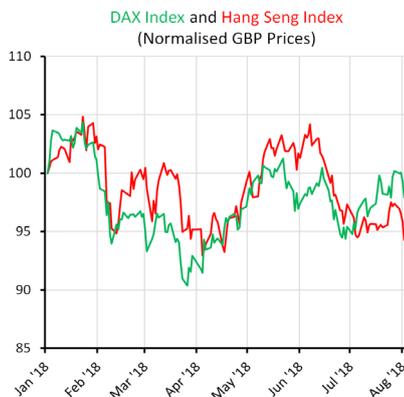
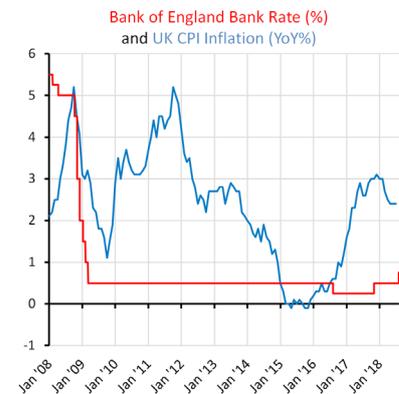
FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-1.11%	-0.36%	-0.83%	-1.36%	-3.92%	+0.02%	+0.06%	-1.82%	-1.09%	+6.69%	-0.93%



UK: BANK RATE RETURNS ABOVE POST-CRISIS LOWS

This week has seen three of the developed world's major central banks meet to decide on the next step for monetary policy. While the Bank of Japan made no material changes to its ultra-loose stance and the Fed held off on further tightening for now, the Bank of England raised the Bank Rate to its highest level since before the financial crisis. The Monetary Policy Committee voted unanimously in favour of the 25 basis-point hike, which means the benchmark rate now stands at 0.75 per cent.

Both the occurrence and magnitude of the hike had already been priced in by markets. According to the MPC, the hike was necessary due to a tighter labour market, with employment at a record high and real wages finally on the rise. A rise now may also provide the central bank with more power should the economy take another hit from Brexit further down the line. Inflation remains above the central bank's two per cent target at 2.4 per cent. Although rates have been raised, no significant changes have been made to the Bank's short-term economic outlook and the monetary authority will maintain its stock of gilt purchases.



GLOBAL: ANOTHER WEEK, ANOTHER TRUMP TARIFF THREAT

The trade spat between the US and China has stepped up another notch, weighing on Asian and European stocks this week. The Trump administration has said that it is planning to raise its 10-percent tariffs on thousands of Chinese products announced last month to 25 percent, a week after the Chinese government may have devalued the renminbi to offset the negative impact on the country's exports. The ramp-up in rhetoric sent the German exporter-heavy DAX and Chinese Hang Seng lower. However, trade talks are ongoing, and the proposal could not possibly be implemented before September.

Meanwhile, year-on-year inflation in the OECD area reached a four-year high in June on the back of food and energy prices. Consumer prices rose 2.8 percent in the year to June, 0.2 percentage points higher than in the year to May. Energy prices grew 10.4 percent, compared to 9.1 percent in May while annual growth in food prices increased from 1.6 to 1.8 percent between the two consecutive months. The world's largest economy more than doubling tariffs on the second largest and likely retaliation will add another source of cost-push inflationary pressure for the global economy.



TECH: APPLE BRUSHES OFF REGULATION FEARS AND CHINESE COMPETITION

Apple has won the race to become the first company ever to reach a market capitalisation of \$1 trillion. The tech behemoth beat its FAANG rivals to the milestone on Thursday and can now boast a four per cent share of the S&P 500. The recent surge in share price means the company is now worth more than the entire US media industry including Netflix, Comcast, Disney and including all news publishers and TV channels.

Amazon, one of Apple's FAANG peers, is not too far shy of the milestone, with a current market cap of \$884 billion. These and the other large US tech companies have come to dominate the US economy and despite ongoing concerns about tougher regulation, growth across the sector has been strong in the year to date. While this is undoubtedly a milestone figure for the originator of the iPhone, the company is facing ever tougher competition from China. Huawei became the world's second-largest smartphone seller in the second quarter in terms of global shipments, the first time a rival has managed to knock Apple or Samsung off the first or second spot for seven years.



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