

UK economy

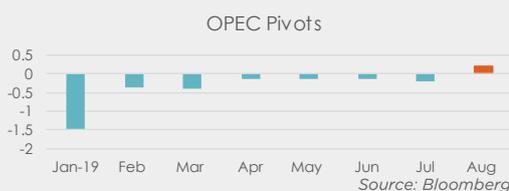
- **GDP** grew 0.3% in July, month-on-month, according to ONS data. The services sector, which accounts for approximately 80% of the economy, expanded 0.3%, its best month of the year. Output in construction fell by 0.8% in the three months to July 2019.
- **Yields** on the 10-year UK government bond rose nearly 5 basis points following the release of the GDP data, Refinitiv data showed.
- **Retail** sales were flat in August year-on-year, according to KPMG and the British Retail Consortium. The reading is the second worst August performance since records began in 1995.
- **Marks and Spencers** fell out of FTSE 100 after its share value decreased.
- **Politics** The Prime Minister suffered a challenging week as the anti-No-Deal Benn Bill passed through both houses, his vote for a general election also failed to gain the super-majority it required and the Conservative Party has been considerably diminished.
- **Brexit** New research from KPMG suggests that a no-deal Brexit would bring the country into recession, causing a rise in unemployment and promoting approximately 6% slide in house prices.
- **Northern Ireland and Brexit** The Irish prime minister said that without a backstop to prevent a hard border, there will be a no-deal Brexit.

Global news

- **Trade talks** The US and China are to restart trade talks in early October.
- **Investment** at the world's top investment banks decreased to a 13-year low in the first half of 2019 due to geopolitical tensions, slowing growth and low interest rates that set in after the financial crisis.
- **Foreign Direct Investments** A new study by the IMF and the University of Copenhagen found that almost 40% of the worldwide FDI is "phantom" capital, designed to minimise companies' tax liabilities rather than financing productive activity.
- **The European Central Bank** President Mario Draghi is expected to announce a new economic stimulus package to shore up economic growth this week.

Oil market

- **OPEC** crude production increased last month, the first rise since the group and its allies started a new round up of output cutbacks at the start of the year, according to Bloomberg research.
- **A Danish fund** announced it is selling their stake of \$95m in the 10 largest oil companies as the business models of the companies do not comply with the climate goals set out in the Paris Agreement.
- **Saudi Arabia** announced that Prince Abdulaziz bin Salman, King Salman's son, is to take over as Energy Minister after a shake-up in Saudi Arabia's government. The move will break the longtime convention that members of the ruling family are not appointed to that position. Analysts expect the move to bring a new level of uncertainty in the market.



UK property and construction

- **Construction output** The latest IHS Markit figures showed that output fell for the fourth month in a row. PMI stands at 45.0 in August from 45.3 in July. Business optimism is at the lowest since December 2008, yet staffing levels remain strong.
- **House prices** rose 0.1% in June to August, compared with the previous three months, according to Halifax. Fewer properties are changing hands with the political and economic situation encouraging people to stay put.
- **Reverse VAT** implementation has been delayed by one year, to 1 October 2020.
- **Barratt Developments**, the largest housebuilder by volume, posted a pre-tax profit of £910m in the year to June 2019.
- **Sprinklers** The government plans to reduce the building height for when sprinklers are required to be fitted from around 10+ floors to six floors.

Friday to Friday

	Price / index	Week % change	Annual % change
FTSE 100	7,282.34	1.04	0.06
FTSE 250	19,705.52	1.61	-2.49
Nikkei	21,199.57	2.39	-4.96
CSI 300	3,948.51	3.92	20.47
S&P 500	2,978.71	1.79	3.73
Nasdaq	8,103.07	1.76	2.54
CAC 40	5,603.99	2.25	6.70
Dax	12,191.73	2.11	1.94
\$ per £	1.2301	1.06	-4.91
€ per £	1.1138	0.55	-0.36
Gold £/oz	1,226.33	-1.92	32.52
Brent Oil	61.54	1.84	-19.90

Things to look out for

- OPEC's monthly oil market report, which includes demand forecasts and production estimates, is due Wednesday.
- The ECB policy meeting on Thursday is widely expected to see a cut to interest rates and a review of all options, including QE. Policy makers will also publish forecasts for growth and inflation.
- The Benn Bill to block a no-deal Brexit is expected to gain Royal Assent this week before Parliament is prorogued (by Wednesday at the latest).

Issues of the week

Data on construction, manufacturing and services PMI show that the economy is slowing down yet this morning's GDP data showed there is still negligible growth in the system.

Last week's turmoil has seen the Prime Minister, who has staked his weeks-old premiership on delivering Brexit on 31 October, challenged. However, the markets seem to be betting against a no deal Brexit with the value of the pound boosted on the news of the party's lost majority.

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