REPUBLICAN DEBATE HEATS UP OVER TRUMP

This week the headlines have been dominated by the already drearily familiar duo of Brexit and Trump. Further infighting, speculating, claim and counter claim from the in and out camps in the referendum campaign have set the marker for what to expect pretty much every week until June. In the US the growing realisation that Trump looks unstoppable, following his resounding win in the Super Tuesday primary results, have sparked some panic among senior Republicans who are now in full stop Trump mode. Two time presidential campaign loser Mitt Romney was the latest to come out against the front runner. Again, expect this scenario to play out every week before the Republican national convention in July.

Elsewhere an element of calm returned to markets, as people adjusted to the current state of geopolitics. This has been exemplified by oil, where prices appear to be stabilising, as the prospect of a deal on output fades and markets settle down and stop feverishly speculating when prices might rise again. While the news hasn't been particularly good this week, the lack of surprises has been welcome.

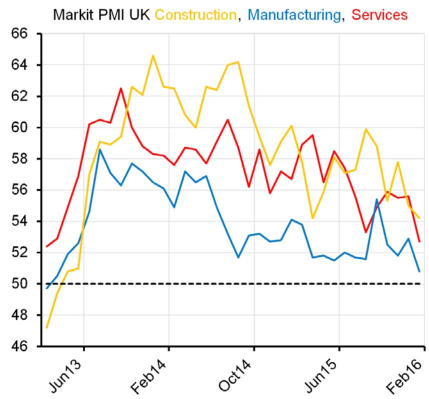
THE MARKETS THIS WEEK

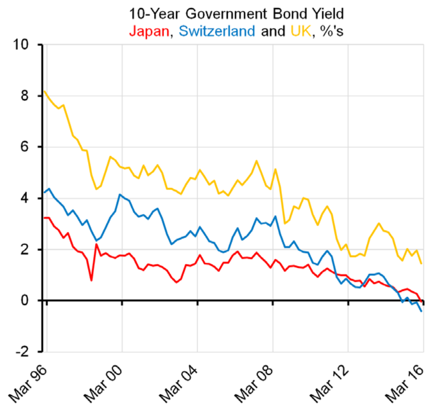
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
+0.57%	+1.78%	+4.77%	+2.98%	+2.51%	+2.35%	+5.00%	+5.26%	-10.17%	+0.77%	+2.26%

UK: SERVICES SECTOR GROWTH AT THREE YEAR LOW

The services sector, comprising more than three-quarters of the UK economy, registered its lowest activity in February for nearly three years. The latest Markit Services Purchasing Managers' Index dropped to 52.7 last month, a sharp fall from January's reading of 55.6. Any figure above 50 signals economic expansion. Weakening demand in both manufacturing and construction saw PMI figures for February fall to 50.8 and 54.2 respectively. Markit chief economist Chris Williamson highlighted uneasiness over Brexit, financial market volatility and poor domestic and global economic growth as tempering demand.

Elsewhere, two of the UK's biggest mortgage lenders gave conflicting views on the direction of house prices for February. Nationwide reported a 0.3 per cent rise in the average house price while Halifax told of a 1.4 per cent fall, the difference resulting from the sampling of different loan books. What cannot be disputed however is that chronic undersupply in the housing market should lead to further gains in property despite the looming April stamp duty deadline.





JAPAN: GOVERNMENT SELLS NEGATIVE YIELDING BONDS

For the first time on record, the Japanese government is issuing ten-year bonds at a negative interest rate. On Tuesday, Japan was auctioning off bonds at an average yield of minus 0.024 per cent meaning that bondholders are guaranteed to make a loss in nominal terms. The country is the most indebted of all the G7 nations and has a gross debt/GDP ratio of 250 per cent. Meanwhile, Japan becomes only the second country to issue 10-year paper at negative yields after Switzerland did so in April last year.

So why would a rational investor buy such a bond? Those who forsee deflation would still hope to receive a positive real yield. A strengthening yen should also enable foreign investors into JGBs to earn capital gains. Lastly, although the large pension funds decided to stay away from the $19.4bn auction, plenty will have mandates which dictate that certain bond indices must be followed. It will only be a matter of time before JGBs are snapped up en masse.

BRAZIL: GDP SHRINKS BY 3.8 PER CENT IN 2015

Once earmarked as a beacon for all emerging market economies, last year, Brazil registered its worst recession since official records began. GDP contracted by 3.8 per cent in 2015 while Latin America's largest economy struggled to get to grips with a sharp fall in investment and depressed commodity prices. Ever since details of corruption emerged at the state-owned oil company Petrobras last year, pressure has ramped up on prime minister Dilma Rousseff, with critics insisting that state intervention has been negligent.

It was only in 2010 when Brazil was churning out growth at 7.6 per cent, expansion that even China would be proud of today. However a combination of needless bureaucracy, poor infrastructure and a strengthening currency have rendered the economy uncompetitive since then. Questionable monetary policy has also allowed inflation to soar to double digit figures, while earlier this week the central bank announced that they would be holding interest rates at 14.25 per cent. One should not expect Brazil to pull up any trees in the meantime.