DRAGHI PLAYS HIS LAST HAND TO WARN OFF DEFLATION

The focus of attention this week was on efforts by central bankers to stave off a deflation trap. There was once a time when central banks all over the world were considered temples where oracles used their magic powers to prop up the global economy, however this belief has rather worn off now. European Central Bank president Mario Draghi continued his mandate of ultra-loose monetary policy much to the distaste of markets, as bourses tumbled and the euro surged higher. The general feeling that the ECB has drained its policy options and will be unable to protect the markets from another global shock is real. And we have not even discussed the fundamentals of low growth, low inflation and high unemployment in the trading bloc.

Elsewhere, the warning signs of a deepening global crisis were laid bare by the IMF this week as they highlighted a growing "risk of economic derailment." Weaker than expected trade figures from China has stirred more worry; however the prudent thing to do as always is to ride out short-term noise in favour of the long-term.

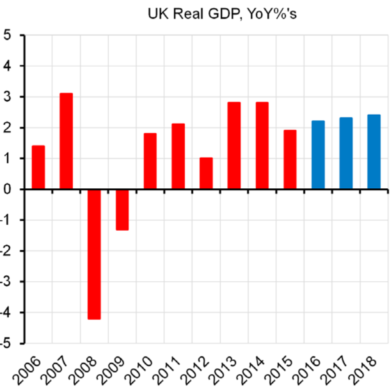
THE MARKETS THIS WEEK

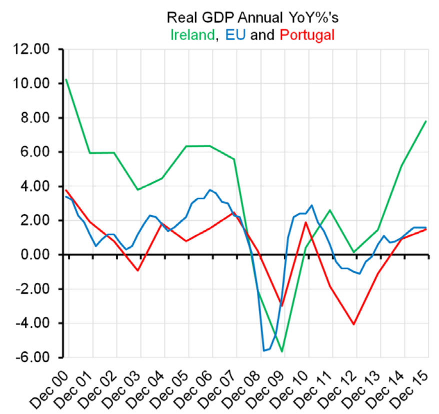
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
-2.62%	-0.21%	-0.95%	-0.95%	-3.32%	-2.38%	-0.51%	+2.60%	+1.08%	+1.03%	+3.68%

UK: BCC FORECASTS LOWER GROWTH FOR 2016

The British Chambers of Commerce on Friday published its quarterly economic forecast, revealing that growth is to slide to 2.2 per cent in 2016, down from an initial estimate of 2.5 per cent. A further downgrade was pencilled in for 2017 as the UK shows signs of weaker than expected economic growth in the midst of a broader global slowdown. The news is not too bad however, as GDP growth is still expected to increase year on year for the next three years.

Much of the future growth of the UK economy will be dependent upon the ability of the government to narrow the bulging trade deficit. The latest data from the Office for National Statistics reveals that this did narrow in January, shrinking to £3.5bn from £3.7bn in December. What will be concerning however is that the goods trade deficit with the EU widened to £8.1bn in the same period; a figure that becomes more pronounced given the upcoming referendum in June and that almost 50 per cent of British exports exhange hands with the trading bloc.





EU: IRELAND GROWS AT 7.8% IN 2015

The latest growth figures from Ireland indicate that the economy expanded at a faster pace than both India and China last year. Although there is scope for the Eurozone member to revise this number later in the year, the results are undoubtedly impressive. Ireland has been luring more and more multinational companies to its shores over the past few years, who see the country as an attractive base for tax reasons. Nevertheless, banking and fiscal reforms has seen Ireland recover at an extraordinary rate, and with it touted as a model for other countries in the aftermath of the financial crisis.

Meanwhile, the series of stimulus measures announced by ECB president Mario Draghi came under fierce criticism from Germany, who felt that the measures were too excessive. The deposit rate was cut by 10 basis points to a fresh low of minus 0.4 per cent, while the existing quantitative easing programme was expanded from €60bn to €80bn a month. In a triple whammy, its main interest rate was also cut from 0.05 per cent to zero.

CHINA: FACES AN 'IMPOSSIBLE TRINITY'

China faces a difficult balancing act according to ratings agency Moody's, in a research report published on Tuesday. The outlook for the world's second largest economy was cut on Tuesday from 'stable' to 'negative' by the company, who state that China is unlikely to succeed in its aim to achieve growth, structural economic reform, and financial stability. The government has set a growth target of 6.5 to 7 per cent this year, which it remains committed to, with Moody's concluding that reform momentum is likely to suffer as a result.

The verdict issued by Moody's came hours after Chinese officials released harrowing export data for February. Compared to a year earlier exports fell by 25.4 per cent, which was the sharpest decline in nearly seven years. A 13.8 per cent fall in imports illustrates how perceptions over China's positioning in the global economy may be shifting. The country has long-been referred to as the "engine of global growth", however Beijing has made no secret of its desire to invert the economy to one that is led more by consumption rather than industry.