

BUDGET THROWS UP FEW SURPRISES

This week all the focus has been on the budget, which offered little in the way of substantive change. While there were a few tweaks here and there, the overall effect is likely to be muted. While we think there is plenty that could be done better, stability is also welcome and is the best we could have hoped for. The biggest impacts will be felt in changes to various allowances and tax bands, which will impact individuals, but leave markets untroubled.

Elsewhere the US looks to have reached a conclusion in the presidential primary race, with Hillary Clinton and Donald Trump most likely going head to head in November. The two candidates are polar opposites and will make for an interesting contest. Russia also managed to surprise everyone by pulling its forces out of Syria. This move has once again wrong footed the rest of the world, showing that President Putin appears to be the only one with a credible strategy for the Middle East. Whether this strategy is in our interest or not remains to be seen.

THE MARKETS THIS WEEK

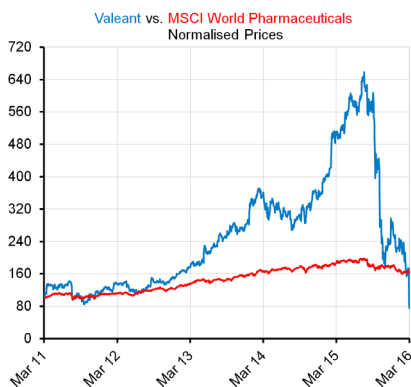
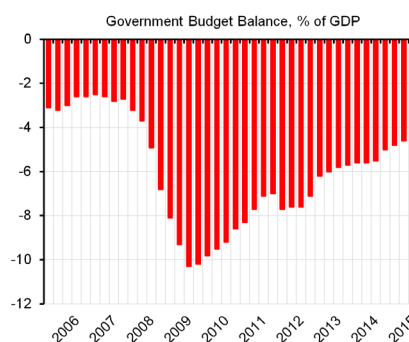
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|-----------------|--------------------|-------------------|------------------|---------------|---------------|----------------|--------------------|--------------------|-------------|--------------|
| FTSE 100 | S&P 500 | Nikkei 225 | Hang Seng | Dax 30 | CAC 40 | Ibex 35 | Brent Crude | Natural Gas | Gold | Wheat |
| +1.00% | +1.89% | -0.01% | +1.51% | +0.62% | -1.11% | -1.23% | +2.79% | +2.35% | +0.33% | -1.54% |



UK: OSBORNE TO "PUT THE NEXT GENERATION FIRST"

Among some of the headline takeaways from this year's annual Budget, George Osborne has vowed to focus on helping people to save for the future. In between a dull appraisal of growth forecasts and minor tweaks to the tax system, one key development was the increase in the Isa limit from £15,000 to £20,000 from April 2017. Those under 40 years old can also benefit from a lifetime Isa or "Lisa" which will reward savers with £1 for every £4 they save. Lastly, the debt to GDP target was revised up from 81.7 per cent to 82.6 per cent for 2016-17, meaning the chancellor missed his target of reducing the ratio year on year.

Elsewhere, a total of £300m has been earmarked for transport projects such as HS3, the high speed rail link between Manchester and Leeds, as well for upgrades to the M62 motorway. A report published at the start of this week by the National Infrastructure Commission released a damning verdict that not enough is being done to increase connectivity across the North, ultimately harming economic growth and prosperity.



PHARMACEUTICALS: VALEANT GLOOM DEEPENS

Canadian drugmaker Valeant lost half of its value on Tuesday after concerns over its debt pile escalated. The group has \$30bn of debt on its balance sheet with the possibility of default growing more by the day. Profit targets for 2016 have been cut twice in just five months, while the company was also probed by the Securities and Exchange Commission earlier in the year for delaying the announcement of its fourth-quarter earnings. To sum up, Valeant's market capitalisation was nearly \$100bn last August; on Tuesday it was \$11.4bn.

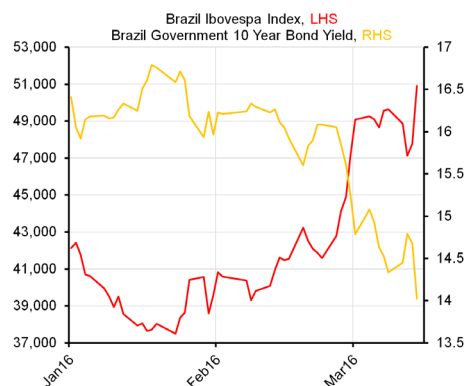
The pharmaceuticals sector is in somewhat of a pickle right now. A study by Express Scripts, a negotiator for US health insurers and employers, found that the price of branded prescription drugs in the US has doubled in five years. The high cost of drugs has been a recurring theme of the US election campaign, with both frontrunners hitting out over the issue. Leading Democrat candidate Hillary Clinton rebuked Valeant over their prices last month while also criticising Pfizer over their decision to move operations away from the US to save on taxes.



BRAZIL: EQUITIES SURGE DESPITE POLITICAL CHAOS

This week Latin America's largest economy was paralysed by political and social unrest, following the decision by a Brazilian federal judge to suspend the appointment of Luiz Inacio Lula da Silva as President Dilma Rousseff's chief of staff. Protestors have taken to the street since Monday over the news, and tensions spewed further after a phone-tapping incident between the two stoked accusations that Lula's appointment was solely a bid to prevent him from arrest. Lula is one of the key persons being probed over the ongoing Petrobras corruption scandal, and is a figure who divides opinion in the country.

Brazilian equities started the week down after rumours of Mr Lula da Silva's appointment but have rebounded strongly since Wednesday. Starting with a dovish statement from the US Federal Reserve, the rally heightened after news of the ruling against Lula came to light. The Brazilian Bovespa is on course to register its largest monthly gain since 1999 while the price of 10-year government bonds have also increased, with yields at their lowest level since November.



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