

RBS POSTS MASSIVE FIRST QUARTER LOSS

This week investors in Royal Bank of Scotland were hit by the news of heavy losses at the state-backed bank. Losses of £968m were recorded in the first three months of this year, roughly twice the amount as in the same period last year. With nearly three quarters of the bank owned by the taxpayer, this could be bad news for the Government's plans to sell off its stake. There will no doubt be further calls for the UK's largest ever privatisation to be put under review, lumping additional pressure onto the chancellor George Osborne.

Meanwhile, in voting frenzy on so-called "Super Tuesday", Donald Trump secured a clean sweep of five states this week. On the Democratic side, Hilary Clinton won four out of five states to bring both presidential candidates one step closer to duelling it out for the White House in November. Aside from the usual digs and circus acts, news emanating from across the pond would have you believe that Republican elites are now almost resigned to having Trump as their nominee.

THE MARKETS THIS WEEK

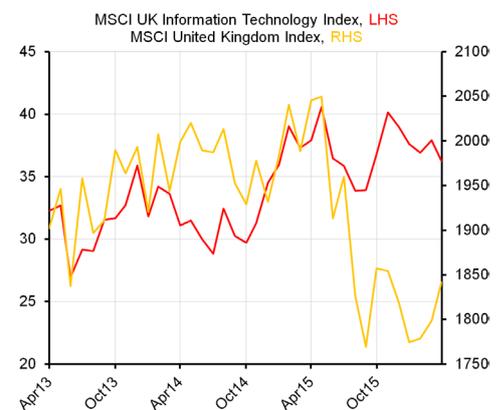
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
+0.19%	+0.18%	-0.42%	-0.37%	-0.50%	-0.27%	+0.39%	+6.00%	-3.00%	+2.74%	+1.82%



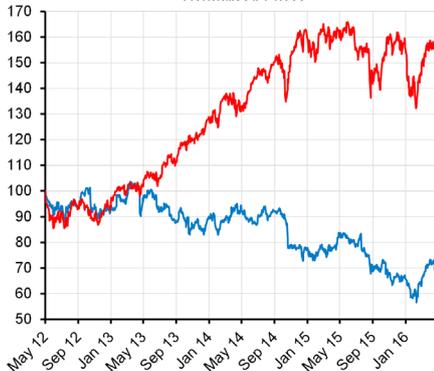
UK: RETAIL SECTOR GIANTS IN DEMISE

This week, two of Britain's chief high-end retailers Austin Reed and BHS, were sent into crisis. The former was bought out by one of its major creditors in an attempt to save it. Austin Reed's debt pile has been slowly amassing amidst a continuous trend of falling turnover since 2011. BHS also collapsed into administration, with jobs at risk and the taxpayer potentially on the hook for the pension deficit. BHS management have had two offers of how to resolve the shortfall rejected by the Pension Protection Fund already.

Elsewhere, the highly charged Brexit debate rumbled on, with an announcement by representative body Tech City UK that 70% of the tech founders and investors they polled would prefer to remain in the EU. Tech start-ups have contributed to a rapidly growing UK technology sector, which accounts for an estimated 1.56m jobs. Industry leaders attribute access to the single market and skilled European employees as the main reasons for the industry recording \$3.6bn worth of venture capital inflows in 2015.



IBM Corp vs. NASDAQ 100 Tech Sector Index
Normalised Prices



USA: RATES STAY LOW AMIDST PRECATION

The US Fed has taken a watchful stance on the US economy again, keeping short-term interest rates at current levels of between 0.25 per cent and 0.5 per cent. Sluggish GDP growth of an estimated 0.8 per cent in the first quarter of the year, and weak household spending were the main contributors to the decision. Still, the Fed did attempt to provide a more positive outlook for labour market improvement, which leaves space for rises later on in the year.

Recent corporate news in the tech sector perhaps gives reason for caution. US-based tech giant Apple disclosed its first quarterly decline in sales for thirteen years. The 12.7 per cent fall came as the tech industry in the US saw overall falling sales. According to a FactSet report, earnings for the US tech sector fell 8.3 per cent in the first quarter of 2016. Similarly, IBM has struggled with declining sales for 16 consecutive quarters now, which may soon lead to its credit rating being downgraded by Standard & Poor's.



EM: THE FEAR OF OIL-INDUCED DEFAULTS

Historical lows in commodity prices have raised fears of sovereign debt defaults, especially in Venezuela, which approached the brink of a political crisis this week.

The country's frail power infrastructure has put a halt on production and left the population struggling with electricity shortages. Recent analysis by Oxford Economics puts Venezuela on the list of EM countries which rely on energy commodities for at least three quarters of their exports. Among these economies, Angola has already requested a bailout up to \$1.5bn from the IMF earlier in the month.

The necessary fiscal re-structuring and political reforms however are not impossible, as the Oxford Economics report concludes. Some reforms are already under way as the most recent news from Saudi Arabia shows. The fear of default is also reduced by the fact that EM sovereigns are now beginning to issue bonds in their domestic currencies, and their borrowing costs are considerably more stable than before.

IMF Venezuela Total Reserves minus Gold
(in Millions of USD)

