Political Uncertainty Remains as Markets Rally

Last week the market looks to have finally settled down, after prematurely declaring the same thing the week before. While the volatility may have diminished in the background, uncertainty hasn't. A story that Theresa May had secured access to the single market for services was quickly rebutted, likewise a tweet from Donald Trump that he was close to a trade deal with China.

Elsewhere, elections in Brazil and Germany have the potential to dramatically shape their respective nations. Right wing firebrand Jair Bolsonaro won the Brazilian presidential election and while the market reacted favourably, if myopically, to his economic policy; he's a divisive figure who may yet bring more instability to the country. In Germany, poor local election results have persuaded Angel Merkel to not seek re-election as chancellor in 2021, leaving a power vacuum in both Germany and Europe at a crucial moment.

Eurozone: EU Posts Sluggish Growth

Slower than expected economic expansion in France, growth stalling in Italy and a surprise slowdown in gross domestic product in Germany all contributed to the Eurozone GDP growth missing expectations for the third quarter by 0.2 per cent.

Germany's sluggish growth was linked to car manufacturers struggling to adjust to new emissions testing. This lead to the number of new car registrations falling by 30 per cent for the month of September. Meanwhile, the annual inflation rate rose to a ten-year high to 2.5 per cent for October driven by the high oil prices. The Eurozone region also saw inflation rise due to same factor.

Rising inflation for the region poses an interesting conundrum for the European Central Bank. While it helps to justify phasing out bond buying as quantitative easing is no longer needed to stimulate the economy, it comes against a backdrop of widespread economic slowdown for the region. Read our full breakdown of the budget here.

UK: Budget Claims to End Austerity

When the latest UK budget was released Chancellor Phillip Hammond pledged an end to austerity although this wasn't quite as generous as it seemed. It mostly consisted of not making further large cuts to public spending, with most government departments not getting much in the way of extra cash. The £15bn reserve to help manage a hard Brexit is reassuring, but unlikely to be enough.

Other highlights included raising personal allowance from £11,850 to £12,000 and the higher rate threshold lifted to £50,000 from £46,351. The change would see high earners potentially save £860 a year.

However, what was wasn't mentioned in the Budget Red Book was the national insurance changes which would wipe £340 off those savings. This is because the threshold at which the NI drops from 12 per cent to two percent also rose to £50,000.

Trade: Trans-Pacific Deal revived after Australia Joins

The Trans-Pacific partnership is set to go ahead after Australia ratified the trade pact. The partnership between the 11 nations will come into effect on the 30th December 2018 even though five of the nations have yet to join. Between them, the nations have close to 14 per cent of the worlds GDP. It would have been higher but for President Trump pulling the plug on the US joining the agreement early last year.

The deal eliminates all tariffs between the member nations. This helps countries such as Australia and Canada to export agricultural produce to Japan but leaves the US farmers in a predicament. The pact also requires countries such as Taiwan to reform and move away from protectionist policies before they can join the agreement.

China is also looking to dilute its dependence on exports to the US. The Regional Comprehensive Economic Partnership which includes the likes of China, India and Australia has also gathered momentum and could be completed as early as November.