HAPPY NEW YEAR FROM ALL OF US AT FE!

This week the new year started much as the old one left off. Global markets are shrugging off risk and continuing their upwards march. Much of the talk of the next few weeks will be if this can last the year as various bits of the investment industry publish their new year forecasts. While we're tempted to call out the current bull run as hubris, there is nothing obvious on the horizon to halt it. Last year it survived rate rises, Trump and Brexit fears. If investors ignored those jumping off points, what will it take to change sentiment this year?

Another 2017 favourite that has been carried over is the US president tweeting crazy nonsense. While the market rally is probably more relevant, we're struggling to look past the "my nuclear button is bigger and more powerful" tweet. We can't help thinking that if Rupert Murdoch made FOX News show more features on puppies and fewer on North Korea, the world would be a safer place.

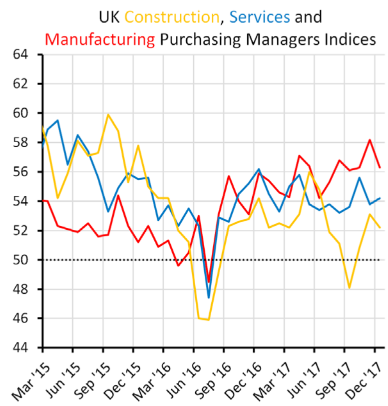
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
+1.16%	+1.54%	+3.59%	+1.83%	+3.18%	+0.05%	+0.03%	+1.57%	+1.76%	+1.11%	+0.12%

UK: IHS MARKIT SURVEYS POINT TO GOOD END TO 2017

According to IHS Markit estimates, the UK economy grew between 0.4 and 0.5 percent in the last quarter of 2017, outperforming the consensus forecast but falling short of many of its peers. The services sector, 80 percent of the UK economy, outperformed forecasts in December despite facing the sharpest rise in operating costs in three months. Meanwhile growth in construction and manufacturing slowed. The construction index fell from 53.1 to 52.2 in December. Any figure above 50 indicates expansion. Meanwhile, the headline manufacturing index declined from an all-time high of 58.2 to 56.3. Despite this deceleration, the sector experienced its best quarter for three and a half years at the end of 2017.

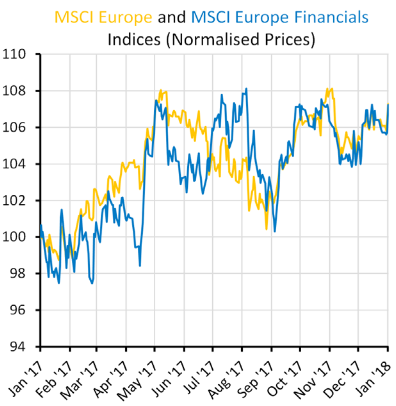
It has also been revealed this week that ministers and Bank of England officials are bracing for a French-backed move to limit UK fund managers' ability to set up in the EU and outsource services including portfolio management to London. The Investment Association estimates that £900bn is currently managed from the UK on behalf of funds based in Ireland and Luxembourg.



EUROPE: MIFID II GOES LIVE

Wednesday saw the launch of MiFID II, the revised legislation to regulate financial markets across the eurozone. One of its main aims is to increase retail investors' confidence in response to the financial crisis by increasing transparency, especially around charges and costs. It builds on "MiFID I", which took effect in 2004, by extending transparency rules to equity-like and non-equity markets, setting volume caps on equity "dark pools", separating payments for research and commission on trades and further toughening product standards. The immediate impact of the launch was muted compared to expectations but the chairman of the European Securities and Markets Authority has warned that issues could follow "in the coming days or weeks".

It has been revealed this week that in December, European manufacturing experienced its strongest monthly growth since the introduction of the common currency. The ECB now expects the economy to have grown by 2.4 percent instead of the 1.7 percent estimated at the start of the year. This has led some analysts to start using the term "Euroboom" unironically.



COMMODITIES: OIL REACHES TWO-AND-A-HALF YEAR HIGH

US natural gas demand rose to more than 140bn cubic feet on Monday on the back of record-breaking cold weather. However, natural gas futures prices have not risen markedly in recent weeks. This is because the country still has large reserves of shale rock in places such as Pennsylvania and Texas which have given energy providers faith in the ability of producers to meet demand over the coming weeks. In contrast, some spot prices have spiked as the cold has bitten. This includes the prices for immediate delivery to Louisiana's Henry hub which more than doubled from the middle of December to Wednesday.

This week has also seen the price of Brent crude reach its highest level since 2015. This follows the extension of OPEC production cuts until at least the end of 2018 and large protests in Iran, the organisation's third largest producer. Hedge funds have made large bets that these factors will sustain the rally well into 2018. Futures prices peaked at $68.07 a barrel on Thursday but fell to $67.38 on Friday.