



SEVENTY

FINANCIAL PLANNING

HOUSTON DEVASTATION SETS IN

This week the full effects of hurricane Harvey started to become apparent, with flooding on the scale of that experienced during hurricane Katrina by New Orleans in 2005, but in a city ten times the size. It is still too early to fully understand the human cost, even before we begin to consider the economic costs. But to give some sense of the scale of the impact, it has been estimated that insured losses alone will top \$90bn, and that doesn't even begin to cover the lost production and capacity. It will be a major challenge to even collect data and the peculiarities of GDP statistics will probably never fully reflect the damage.

Elsewhere, the world has continued with little change this week. North Korea fired a missile over Japan, season 7 of Game of Thrones finished and the government tried to sell a lack of progress on Brexit as a strong negotiating position. When questioned on her future as PM, Mrs May proclaimed she was going nowhere. As she's tied her position to the Brexit negotiations, this is entirely accurate.

THE MARKETS THIS WEEK

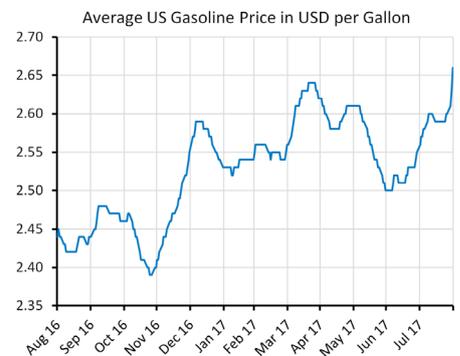
FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
+0.60%	+1.34%	+1.23%	+0.18%	+0.39%	-0.04%	-0.03%	+0.85%	+2.16%	+0.12%	+0.26%

US: HURRICANE HARVEY TAKES HOLD OF HOUSTON



The US energy boom has made the country incredibly reliant on Texas as its home to one of the largest concentrations of energy infrastructure in the country. Extreme flooding from hurricane Harvey has affected more than a dozen refineries knocking out more than 20 per cent of US refining capacity. Gasoline prices climbed to \$2.66 per gallon on Wednesday evening, up 7 cents from last week to a two-year high and are likely to continue to climb.

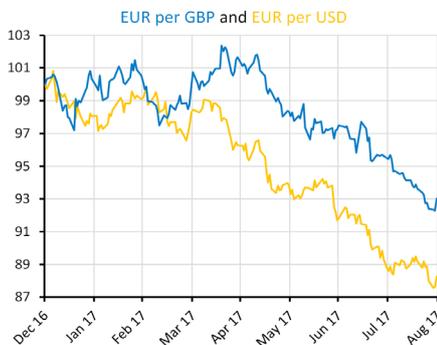
Estimates for the total cost of the damage caused vary, but the heavy hit to infrastructure will have a lasting effect while the loss of output from local businesses will be felt immediately. Despite the destruction Harvey will leave behind, the US economy remains resilient, the S&P 500 is up 0.1 per cent this week. Despite economists anticipating between 0.1 and 0.2 per cent will be shaved off third quarter US gross domestic product growth the coming months will likely bring reconstruction efforts which will help to offset some of this. Houston's GDP is larger than the economy of Sweden or Poland and it accounts for 2.8 per cent of US GDP.



CURRENCIES: EURO CONTINUES CLIMB WHILE POUND AND DOLLAR PLUNGE

Investors are fearing the next step for the pound could be parity as it dropped to a fresh eight-year low of 1.08 versus the euro. Brexit remains at the forefront of everyone's mind as Barnier and Davis went head to head this week in the third round of negotiations. The EU remains unwilling to negotiate on any future trade deals until the terms of the divorce have been finalised, particularly an agreement on the size of the divorce bill.

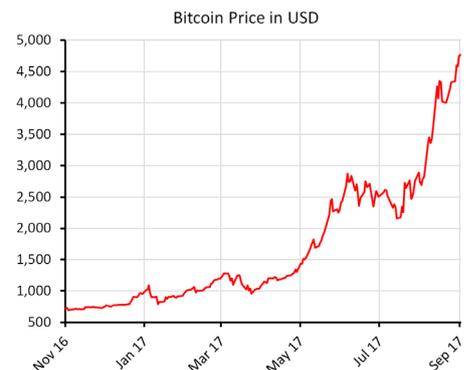
It's not just sterling that's having a tough time against the euro lately, the dollar has lost 12 per cent since the start of 2017. Traders shifted out of the dollar in response to hurricane Harvey and the latest North Korean incident. North Korea fired a missile over Japan increasing global tensions and inciting panic in some investors who pulled out of the dollar and moved into the euro. The euro climbed to the threshold \$1.20 on Tuesday, for the first time since 2015 as European growth accelerates and US growth appears to dwindle.



BITCOIN: DEVELOPMENT IN DIGITAL CURRENCY

As bitcoin's surged past \$4000 this week big banks are starting to pay attention. Barclays, Credit Suisse, HSBC and several others have teamed up to work on a new form of digital currency to make financial markets more efficient. They plan to launch the currency, 'utility settlement coin', by the end of next year. Blockchain, the technology behind verifying and trading digital currencies electronically, is a complex set of algorithms which diminishes the need for a central ledger. The utility settlement coin aims to let financial groups pay each other or buy securities, including bonds and equities without delay from traditional money transfers.

Before this new currency can be adopted central banks are focusing on improving their data privacy and cyber security to ensure a risk-free transfer of the cash. The People's Bank of China has done trial runs on its prototype cryptocurrency, putting the nation at the forefront of the digital money movement. Both the Bank of Japan and the European Central Bank have launched research projects to study the technology underpinning cryptocurrencies.



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