



UK LOOKS TO INDIA FOR GROWTH AS INVESTORS HOPE NEXT JAPANESE PM WILL BOOST EQUITIES

This week the prime minister has been in India trying to improve business links following the signing of the UK/India trade deal earlier this year. Whitehall needs to find low-cost ways of boosting growth in the short-term, and the visit is well timed as India may be more receptive to Starmer as its relationship with the US has cooled. Notably, the trade deal improves market access for UK services firms. It also eases the visa process for skilled workers moving to the UK at a time when the US is making it harder for Indian workers to move there.

Meanwhile, politics has been driving volatility in markets again. Investors appear resigned to political stalemate in France as its prime minister resigned after less than a month. But Japanese equities surged after Sanae Takaichi became leader of the governing Liberal Democratic party as investors see her leadership as supportive of equities and expect the Bank of Japan to keep rates low. However, the gains were partially reversed by rising inflation and the withdrawal of the LDP's junior coalition partner in advance of the vote to approve her as prime minister next week.

THE MARKETS THIS WEEK

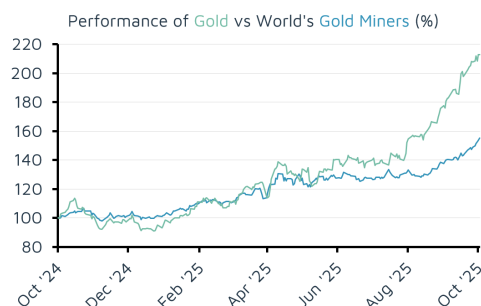
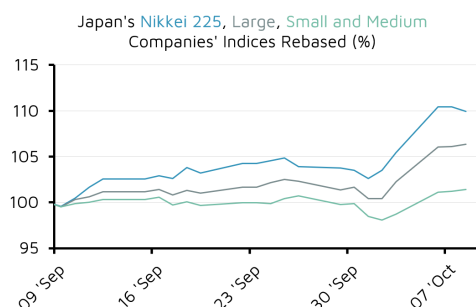
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+0.22%	+0.04%	+3.32%	+0.13%	-3.40%	+0.02%	+0.02%	0.00%	+4.72%	+2.60%	-1.13%



JAPAN: EQUITIES GAIN AND YEN FALLS AS JAPAN SET FOR FIRST FEMALE PM

Japanese equities surged higher and the yen fell as the ruling Liberal Democratic party chose Sanae Takaichi as its leader. She is likely to become the first female prime minister following a vote in parliament later this month. Her leadership campaign was based on tighter immigration rules, more aggressive defence policy and promise to address the rising living costs. Takaichi is a former economic security minister and was a protégé of former prime minister Shinzo Abe whose Abenomics programme advocated low interest rates, greater government stimulus and less regulation.

Markets expect a government under Takaichi to pressure the Bank of Japan to keep interest rates low. The LDP has a minority in parliament and this raises the possibility of tax cuts and cash handouts to secure the support of other parties. Japanese markets are up more than 8% this week, while the yen has fallen around 3.6% against the US dollar. The yield on longer Japanese government bonds has risen in anticipation of greater government spending.



COMMODITIES: GOLD HITS \$4,000 AN OUNCE AS FOMO MOUNTS

Gold's year-long rally has accelerated in the past month, with the metal passing \$4,000 per ounce for the first time. The price is up 4% this week, 11% in the past month and 53% this year. Production disruptions have hit the market at a time of record demand from central banks and investors who fear missing the rally. Central banks have been steadily hoarding gold for the past ten years, with their estimated reserves now exceeding foreign official holdings of US Treasuries for the first time since 1996, nearing \$4.7tn in value given the recent runup. While this has supported gold's rise, the main driver has been a 10m tonne increase to 96m tonnes of ETF holdings.

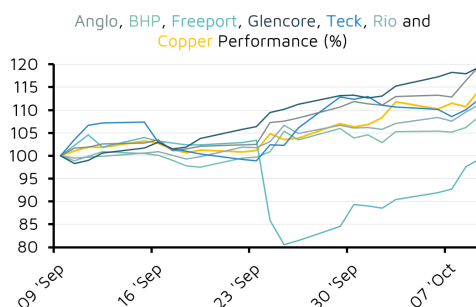
Some of this demand is stemming from a flight from all major currencies due to increasing fears of inflation and debasement, or the perception of it being on the horizon. Another motive is a diversifying away from equities riding the AI boom this year. Gold miners have outpaced gold, bitcoin and AI stocks, with the S&P Gold Mining index soaring 126% this year.



COMMODITIES: COPPER RISES AS MINE CLOSURE CAPS SUPPLY

A fatal mudslide in Indonesia has led to the closure of a huge copper mine and sent copper prices soaring to \$5.24 per pound, from \$4.56 two weeks ago. The mine is owned by Freeport-McMoRan, the world's third largest copper producer, and its stocks initially plunged 22% after it said it was unable to deliver on some contracts, and warned that production would not recover until 2027. But its shares have recovered most the losses, being just 2% off their pre-announcement level, as investors are now baking in higher revenues for the sale of its existing inventory at a much higher price.

The tragic incident follows two other mine closures in May and July and have collectively taken 6 to 7% of the world's output offline. Copper miners have gained as a result of the price spike. BHP, the world's top producer, has gained 8.6% in the past month. Anglo American and Teck Resources, which are merging into a \$50bn behemoth, have gained 19% and 12% respectively. More diversified miners, Glencore and Rio Tinto are up 19% and 11%.



Data sourced from FE Analytics and Investing.com

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