

**BURNHAM'S PLANS LEAVE BOND INVESTORS UNMOVED AS FRENCH POLITICS PROVE A BIGGER CONCERN**

This week Andy Burnham set out his priorities for the rest of this parliament and where he thinks the next election will be fought. They include ending the pensions triple lock, tackling the cost of social care and more help for first-time home buyers. Critics say his plans are light on economic growth. A cynic might say the growth plan boils down to just two points: more devolution and closer EU ties. Bond markets received the plans relatively well. UK government bond yields went on a round trip, but this mainly reflected a changing outlook for oil prices, inflation and interest rates.

US Treasury yields have continued to climb as strong growth supports expectations of rate hikes from the Federal Reserve. However, the greater concern for bond markets is France as the National Assembly appears unable and unwilling to address the relentless rise in government borrowing. The proposed budget for 2027 would cut the annual deficit below 5%, but it has sparked protests and will struggle to pass a divided National Assembly. French government bond yields are at their highest since 2002 and sit around 1.5 percentage points above German yields.

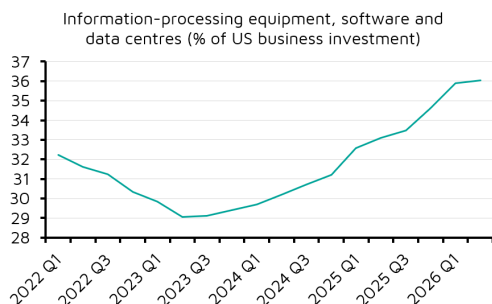
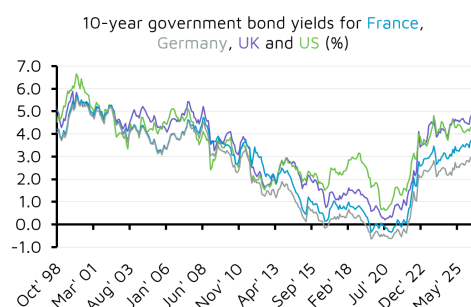
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-2.17%	-0.19%	+3.66%	-1.19%	-2.06%	+0.08%	0.00%	-5.92%	-2.09%	-2.72%	-0.23%

BONDS: OIL, GROWTH AND DEBT DRIVE BORROWING COSTS UP

Government bond yields are still rising. The US 10-year yield rose almost 0.9 percentage points last quarter, its sharpest climb since 1994, and hit 5.34%, the highest since 2002. UK 30-year Gilt yields touched 6%, the highest since 1998 before falling back. Three forces lie behind the rise. The Iran war has driven oil above \$100, lifting inflation and forcing central banks to raise rates rather than cut. Markets expect the Bank of England to follow in November. Strong US growth has fed bets on more Fed rate rises. Heavy government borrowing leaves investors more bonds to absorb.

This week, inflation came in above forecasts in Germany, France, Italy and Spain. US second-quarter growth was revised up to 2.2%, and the Atlanta Fed's tracker points to about 5% in the third quarter. Softer than expected US inflation did little to slow the selling. France, which plans record debt sales next year, saw its borrowing premium over Germany hit a 14-year high. Rising yields pushed the FTSE 100 to a three-month low, led by banks.

**TECH: ANTHROPIC REVS UP FOR IPO AS OPENAI HITS THE BRAKES**

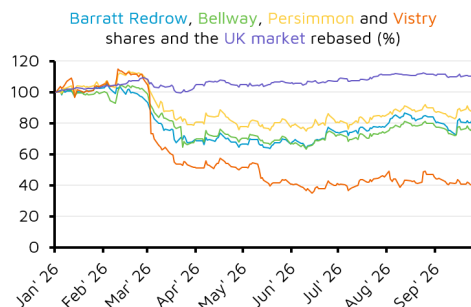
Anthropic has pulled ahead of OpenAI in the race to list on the stock market. The developer of Claude has disclosed financial information ahead of an expected Nasdaq IPO this autumn. It made a loss of \$8bn last year on revenue of \$4.8bn as it pursues rapid growth. Its prospectus outlines \$158bn of planned investment. It lists risks, including a concentrated customer base and what it calls a "potential existential threat to humanity". Anthropic is tipped for a valuation of \$2tn or more after a successful debut, more than double its last funding round.

By contrast, OpenAI, the developer behind ChatGPT, has delayed its listing plans. Chief executive Sam Altman has said waiting too long is "bad for the world", but stressed the need for sufficient safety controls first. OpenAI is reportedly raising around \$30bn at a valuation of up to \$1.2tn. It recently held back its latest AI model, citing security concerns, and launched a virtual assistant called Dots.

**EQUITIES: HOUSEBUILDERS GET A BOOST AS BURHAM REVIVES HELP TO BUY**

The UK's house construction industry received a boost as prime minister Andy Burham pledged to help first-time buyers. The new "Your First Home" scheme will offer buyers an equity loan of up to 20% of the purchase price with an initial interest-free period. Details of the scheme will be included in the budget later this month and will likely be subject to earnings requirement and maximum purchase prices, like the old scheme.

Shares in UK house builders surged higher on the news. Persimmon, Bellway, Barratt Redrow and Vistry gained between 10 and 15% to pull the sector higher after a difficult few years when these companies lagged the FTSE All Share index considerably. Builders have struggled with weak sales and rapid cost rises of many building materials. Buyer sentiment has been hit this year by rising mortgage rates as the Bank of England considers hiking interest rates to cool inflation.



Data sourced from FE Analytics, Federal Reserve Bank of St.Louis and US Bureau of Economic Analysis

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