



## The State of World Markets

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**To follow is an extract from the OBSR January 2012 newsletter, which we have received permission to send to you, and which provides a good insight on the current state of world markets:**

### Economic & Financial Market Background

2011 ended with the global economy growing at its slowest pace since the last recession and reflecting desynchronised growth in the world economy with disparate trends in different regions. While Q4 estimates for US growth have enjoyed a sizeable upward revision since last month, most other areas have fared less well. Indeed, in the developed world, GDP in Japan, the EU and the UK appears set to contract in Q4 while the US is likely to record its fastest pace of growth since the economic rebound following the 09 recession. Activity in the developing countries has also softened, but with China still likely to report GDP growth of around 8%, this should ensure that the global economy will deliver a 2.5% p.a. growth rate in Q4. This would be well below trend and the prior quarter's 3.5%.

While the summit in early December failed to convince financial markets that the EU governments had framed a workable, credible and comprehensive plan to resolve the eurozone debt crisis, the broadening efforts of the ECB were well received. Its decisions to cut interest rates again and, more importantly, expand its balance sheet by lending three year money to eurozone banks, provided much needed liquidity to a banking system with huge upcoming funding requirements. This represented a step change in its support operations and, although it did little for Italian and Spanish 10-year bond yields it brought shorter-term rates substantially lower. Together with better than expected economic data from the US and stronger December PMI surveys in nearly all countries, these developments began to allay fears of the worst potential outcomes for financial markets.

**View the [OBSR January 2012 newsletter](#) in full.**

**If you would like to discuss your investment portfolio, or need advice about any aspect of your finances please contact Aidan Bailey on 01903 231545 or [aidan.bailey@thefrygroup.co.uk](mailto:aidan.bailey@thefrygroup.co.uk)**

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