

**NEW LAWS SET THE PATH TO NO TRADE DEAL**

This week we got to see some of the intricacies of the Brexit negotiations when Boris Johnson decided the only way to avoid being bound to the deal he negotiated, campaigned for and passed into law was to introduce a new set of laws to counteract some of the terms he now find's unpalatable. In truth there is unlikely to be a deal that will meet his and supporters' requirements; essentially full market access and making all our own rules. Almost all trade deals now include some form of harmonisation of regulations; it will be interesting to see if all other deals get rejected on the basis of sovereignty, or if that treatment is reserved for our largest trade partner.

Elsewhere the correction in tech stocks has continued, with some classic bubble deals emerging. Nikola Motors, an electric car company with a high valuation and no history of ever producing electric cars signed a partnership with GM who paid \$2bn for the privilege of now designing and building the vehicles. Soon after claims emerged that Nikola's technology was exaggerated and some of their product videos were faked.

**THE MARKETS THIS WEEK**

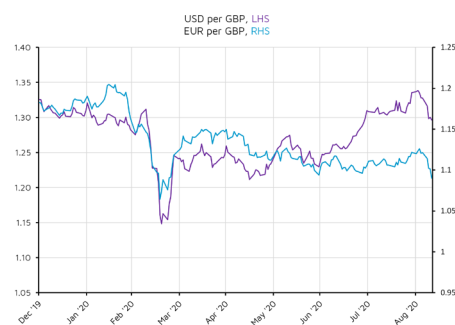
<b>FTSE 100</b>	<b>S&amp;P 500</b>	<b>Nikkei 225</b>	<b>Euro Stoxx 50</b>	<b>Hang Seng</b>	<b>US 10 Yr</b>	<b>UK 10 Yr</b>	<b>Brent Crude</b>	<b>Gold</b>	<b>Wheat</b>	<b>GBP USD</b>
+3.83%	-6.75%	+0.87%	+1.64%	-0.78%	-0.04%	-0.07%	-5.06%	+0.62%	-1.41%	-3.61%



**UK: STERLING HIT BY BREXIT ROW**

Faltering Brexit negotiations have caused sterling to fall sharply. The pound is down almost 4 per cent against the dollar and 3.2 per cent against the euro this week following an attempt by the government to re-write several sections of the withdrawal agreement with the EU. Brexit negotiations have made little to no progress over the summer with issues such as state aid and fishing rights proving to be a sticking point. This week the government unveiled plans to overrule the withdrawal agreement to allow the UK greater leeway with state aid as well as scrap the need for customs declarations and tariffs on goods moving between Britain and Northern Ireland.

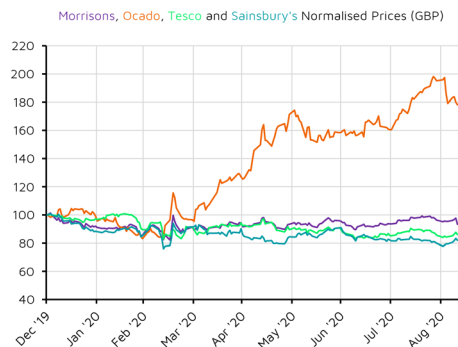
The issue of state aid and the insistence there is no physical border on the island of Ireland are key points for the EU, while unilaterally overriding an international treaty is unlikely to win Boris Johnson any friends on the continent. Without a major shift from one side of the negotiations and only weeks remaining to reach an agreement the chance of no deal has increased causing the value of the pound to drop.



**EQUITIES: SUPERMARKETS STRUGGLE TO TURN DEMAND INTO PROFITS**

Supermarkets were able to remain open through the lockdown and most of the large groups saw their market share increase due to the surge in demand for home deliveries. At the height of lockdown supermarket demand was up by almost 19 per cent, while online shopping increased by 90 per cent. Despite this increase, most of the major supermarkets have struggled to turn increased revenue into increased profits.

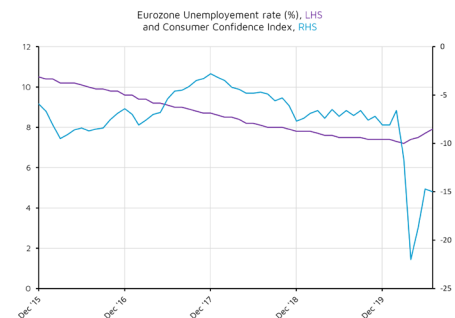
This week Morrison's reported its half year results and despite increased sales, Morrison's saw the biggest increase in sales of the big four supermarkets, it saw pre-tax profits fall 25 per cent. The company put the drop down to £155m of extra costs due to operating during the pandemic, as well as a significant drop in revenue from petrol and diesel sales. A new partnership with Amazon should help further boost sales but profits amongst supermarkets could come under further pressure if there is another round of the ongoing supermarket price war. Morrison's has already cut prices on 400 items and expects food costs to continue to drop.



**EUROPE: COVID-19 RECESSION IS STARTING TO HIT EMPLOYMENT**

The latest employment figures for the European Union show that the coronavirus shutdown and subsequent plunge in GDP is beginning to feed through to job losses. Despite the widespread use of employment support schemes, the number of people employed in the EU in the second quarter fell by 2.7 per cent compared with the first three months of the year. This is 2.9 per cent below the same period in 2019. In total, more than 6 million fewer people were employed compared with the final quarter of 2019. Employment support programmes are having an effect as the number of hours worked in the second quarter was 16 per cent lower than at the end of 2019.

The data covers the period between April and June more recent data shows economic activity continued to recover over the summer. However, it remains significantly below pre-coronavirus levels and, with several countries due to end their furlough schemes at the end of September, employment could fall further this autumn.



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