

ECONOMIC FUNDAMENTALS REMAIN STRONG

Two weeks since my last note and not much has changed on the political landscape, or in the betting markets, although Boris may alter that this week with scheduled visits to EU leaders. Indeed the only price that has changed is in my England to win the Ashes prediction, but keep the faith, England are now 5/2 from 5/6 two weeks ago.



Back to Politics, it is still 5/6 that we do not leave the EU by the 31st October and 11/10 we do. In percentage terms that is 54% we do not leave and 46% we do; toss of a coin almost.

A swathe of data points were released last week; inflation, retail sales, unemployment and wages. They have all performed relatively well, defying the Brexit doom and gloom and perhaps most encouragingly is that with wage growth now at a 11-year high, consumers are not being fazed by the Brexit deadline. Retail sales rose 0.2% month to month in July and grew 3.3% year-on-year.

Consumer spending will help GDP in Q3 to recover from the disappointing numbers posted last week for Q2, when output fell to -0.2%, down from 0.5% growth in Q1, but inflation is expected to drop below 2% due to lower energy prices and mortgage rates for the rest of the year, filling consumers' pockets with an extra bit of cash. Surveys suggest they will spend this, rather than save.

As I have reiterated on numerous occasions, this is a political crisis and not an economic one and the fundamentals in both the economy and the property sector remain sound. Although that statement carries the heavy caveat that a No Deal Brexit must be avoided (No Deal is currently 13/8).

Certainly the industrial investment market is not suffering from the traditional August lull, although other sectors may be quieter and pricing, across all sectors, but particularly in prime industrials continues to remain firm.

Whether 'No Deal' will be avoided remains difficult to forecast, but should it be, then expect a very busy run in to Christmas, by which time and despite Saturday's performance, England will be double World Cup Winners and you can get that at 6/1.

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