# Market Bulletin

This month's market update comes from Jupiter Asset Management Limited, Manager of the Omnis Emerging Markets Equity Fund.

As was widely anticipated, December has so far been an important month with potentially significant policy announcements from the European Central Bank (ECB), OPEC (the oil producing cartel) and the US Federal Reserve. At the time of writing the first two have happened and we still await the third.

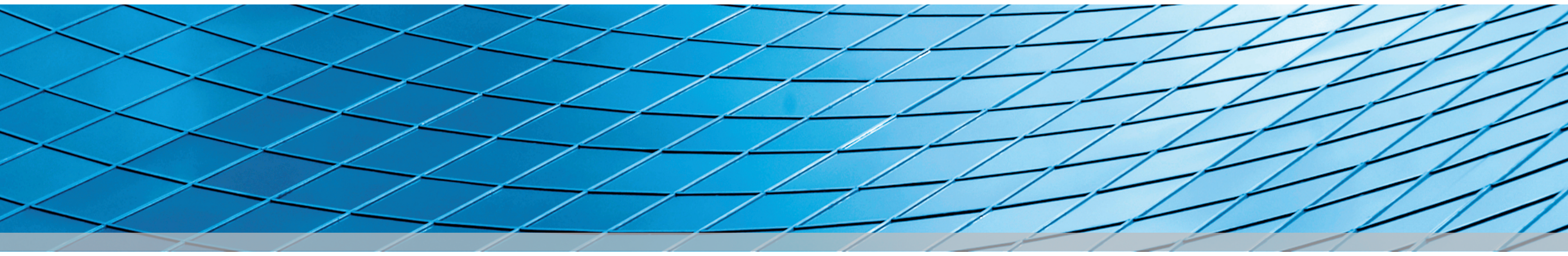
Let's deal with OPEC first. OPEC has thirteen members and accounts for around a third of global oil production. Despite the 60% collapse in oil prices in the past 18 months the members of the cartel opted to stick with unrestricted oil production into 2016. The Financial Times described it as a "rancorous meeting in which no agreement could be reached on how to manage the glut". Elementary economic theory of the laws of supply and demand would tell you that, under the circumstances, this is irrational behaviour. However, this is the global oil industry and it is far from elementary; there are powerful national vested interests, commercially competitive factions and intractable geo-political forces at work. Even though this outcome was anticipated as the most likely, nevertheless oil prices responded by sliding lower, exacerbated by a strong US dollar. Economically, of course, this remains positive for consumers and net oil importers, as it keeps a lid on inflation and reduces costs, while being negative for oil industry companies and for those countries for which oil exports are a significant proportion of economic output.

## The European Central Bank disappoints markets

To address Europe's anaemic economic growth, the ECB announced in October that it was considering both boosting the amount and extending the duration of its current €60bn per month stimulus programme, as well as possibly further lowering already negative interest rates. What ECB President Mario Draghi actually announced, however, was less than what the market had been expecting – a 0.10% reduction in interest rates and a six month extension to the stimulus programme without increasing the monthly amount.

Although there is some economic growth in the Eurozone, it is at a very slow rate compared with the UK and the US, and is not helped by Europe's unwieldy political, economic, financial and social structures. Remember too that we are more than half a decade beyond the worst of the financial crisis; Eurozone members ought to be doing better!

Finally, but arguably most significantly of all, the US Federal Reserve meets on 15/16 December and is generally expected to raise interest rates, although readers of this note may already know the outcome. If the Federal Reserve goes against expectation and keeps rates on hold again, however, its competence to manage markets' expectations will be significantly undermined.





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