

THE WEEK IN VIEW

Global markets: up and down (again)

The week's news was dominated by the US presidential election, and the subsequent victory on Tuesday night of the Democratic candidate Barack Obama. The run-up to the election appeared to bring some cheer to global markets, with most of them rallying on the day of the vote. However, despite the reporting of widespread euphoria across the US at the result, this was not reflected in markets in the US or Europe, which fell over the course of Wednesday and Thursday.

There was little positive news over the week, as analysts and the public alike continued to reflect on the implications of a deteriorating economic landscape. Even the announcement by the Bank of England (BoE) on Thursday that it was implementing an enormous interest rate cut did nothing to improve the mood, and the UK market declined.

The interest rate cut, of 1.5%, was of historic proportions designed to stimulate the weakening UK economy, and was larger than had been generally expected. Only during Friday's session did any form of acknowledgement of the scale of the BoE's action begin to emerge, with the UK market rising slightly. A similar announcement on Thursday by the European Central Bank (ECB), albeit of a rather smaller cut, had an equally invisible effect on the major European markets of France and Germany, both of which fell sharply on Thursday before regaining some ground in Friday's session.

Although the Japanese market was closed for a public holiday on Monday, the week – and indeed the month – got off to a relatively good start in Asia, as the major markets of Japan and Hong Kong proceeded to rally sharply until the close of Wednesday's sessions, reclaiming some of the significant losses they sustained in October.

Much of the Japanese market's strength early in the week can be explained by the weakening of the currency, the yen, which had rallied strongly against the US dollar and other major currencies in previous weeks; the weakening of the currency makes it easier for Japanese exporters to distribute their goods around the world at competitive prices. However, these gains were for the most part eradicated during Thursday's sessions in Asia, when the markets plunged following tumbles in Wednesday's sessions in the US and Europe.

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