



Investment Markets overview

Free taster

Week Ending 21 July 2017

The Phillips Curve..... Is an economic model developed by and named after William Phillips, a New Zealand born economist, suggesting that inflation and unemployment have a stable and inverse relationship. Phillips original 1958 paper was actually titled "*the Relation between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957,*" but as so often the case within academia the research was hijacked by a posse of other economists' who preferred the relationship between unemployment and CPI inflation. Government, of course, jumped onto the research as it inferred they could control unemployment and inflation with a Keynesian policy. There would be a trade-off between inflation and unemployment whilst monetary and/or fiscal policy could be used to stimulate the economy, increasing gross domestic product at the same time. During the golden era of the 1950s/60s, when debt levels were low, economic growth was strong and jobs were aplenty, the Phillips curve appeared to work, but the 1970's decade of stagflation, high inflation and unemployment, put paid to that with the curve coming under attack by the renowned economist, Milton Friedman, who identified that whilst it worked in the "*short run,*" over the longer term there is no trade-off between inflation and unemployment. This implication suggests that for practical reasons central banks should not set unemployment targets below the natural rate. Come to that we would add that the Central banks' shouldn't be trying to manipulate any economic variables, particularly as they appear to have little understanding that it is "*debt levels*" that is subduing wage-price and general price inflation.

Marketwise, volatility picked-up, accompanied by yet another week of "*revised*" economic data. You may wish to read our market Myth #2: "[The Consensus Is Right,](#)" to understand just how dire the forecasts are.

No.	Table of Indiices	Close	Price% 1 week ago	Price% 1 month ago	Price% between 31/12/16 and 1 day ago
1	I - Hang Seng (Hong Kong)	26,706	▲ 1.20	▲ 3.94	▲ 21.5
2	I - FTSE Asia Pacific ex Japan	542.98	▲ 1.22	▲ 4.46	▲ 21.2
3	I - FTSE Europe ex UK	263.81	▼ -0.20	▲ 2.26	▲ 19.0
4	I - NASDAQ Composite	6,387.75	▲ 1.19	▲ 2.47	▲ 18.7
5	I - S&P 500	2,472.54	▲ 0.54	▲ 1.52	▲ 10.5
6	I - Dow Jones Industrial Average	21,580	▼ -0.27	▲ 0.79	▲ 9.4
7	I - DAX Xetra (Germany)	12,240.1	▼ -3.10	▼ -4.18	▲ 8.4
8	I - CAC 40 (Paris)	5,117.66	▼ -2.25	▼ -2.97	▲ 6.9
9	I - Nikkei 225	20,099.75	▼ -0.09	▼ -0.19	▲ 5.4
10	I - FTSE 100	7,452.91	▲ 1.01	▲ 0.07	▲ 4.8

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- Euro-Zone and the UK economic data and a supporting chart
- Asia including Japan economic data and a supporting chart
- The week's currency and sovereign bond market movers
- Commodity movers including Oil, Copper and the precious metals
- Economic due for release over the following week

This week's edition includes comment on the "[Phillips Curve](#)" and other Central Bank tools they do not work, with this week's charts including:

- Main stock-indices week's performance
- US Housing Starts V US House-builder sentiment
- ECB's Bloated balance Sheet
- Bank of Japan Base Rate V the Real World
- \$US and the main commodity movers of the week
- A longer term table of the major World stock-indices

All of this is available at a little more than a £1 per day! Plus there is a link to my April presentation to the Socionomics Institute, "[Contrarians' are Born, Socionomists' are Taught.](#)"....Great for contrarians and insomnia sufferers alike!

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