

Market Preview

06:36 04 Jan 2016

FTSE 100 to feel fall-out from China meltdown

The FTSE 100 looks likely to open its account for the year very firmly in the red, with Middle East and China weighing on sentiment.

In fact, the drama that unfolded in the People's Republic is likely to overshadow a rather tepid start in London after trading on both the Shanghai and Shenzhen exchanges was suspended.

The former dropped almost 7% - or more than 250 points - after worse than expected manufacturing data.

The fall-out was felt across the region with the Nikkei in Japan and the Hang Seng in Hong Kong both tumbling 3%.

Australia's ASX index put in a relatively robust performance by losing just 0.5% during a stormy opening session.

"Trading in the first few days of 2016 will likely be shaped by investors' determination whether the New Year will see a continuation or an end to the driving forces in 2015: namely, concerns over China's slowdown, the commodity crunch and rising US interest rates," said Jasper Lawler of CMC Markets.

In short, the world's equity markets are set to chart an uncertain course in the opening days of 2016, he concludes.

Here in the UK, the FTSE 100, which lost almost 5% last year, is predicted to open 63 points lower at 6,181.32, according to spread-betting firms.

Turning to the commodities markets, the price of a barrel of London traded crude actually jumped - and to a two-week high to around US\$38 a barrel.

This, however, was probably more a symptom of the escalating tensions between Iran and Saudi Arabia, than indicative of a revival.

The words of Bob Dudley, boss of BP, are probably still ringing in traders' ears.

He said the pain is likely to continue in the short term at least, with little sign of a rise in oil prices until the latter part of the year.

All this uncertainty was at least positive for gold, which is often bought as a safe-haven investment in times of turmoil.

The cost of an ounce of the yellow metal rose US\$3 an ounce at US\$1,063.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

Share Information

MarketTopic Synopsis:

Market Preview is published daily before trading kicks off, giving investors a roundup of macroeconomic and corporate news that is likely to move the markets along with the expected opening level of the major indices.

action@proactiveinvestors.com

Proactive Investors is a publisher and is not registered with or authorised by the Financial Conduct Authority (FCA). You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.