

# 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.

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#### 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.*

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