Key highlights

1. Dalliance with deals
2. Take it away
3. ‘Blue-cross’ day
4. Not made in China
5. Trying to please everyone
6. Slowing, slowing, nearly gone

Dalliance with deals
Monday’s merger mania contrasted with decidedly unstimulating central bank news and fresh challenges for China.

Take it away
Shares in UK food delivery firm Just Eat rose almost 25% on news of its proposed merger with Dutch rival Takeaway.com. The deal, which would create one of the world’s biggest online food delivery companies, values Just Eat at 731p a share, 15% above last Friday’s closing price. Yet investors seemed to be expecting a better offer. Just Eat shares soared to 792p following the announcement, well-above the offer price. One possible rival bidder might be online retail giant Amazon, which is known to be sniffing around the food delivery sector.

In a similar vein, shares in London Stock Exchange (LSE) soared to a record high after the firm announced a planned takeover of data business Refinitiv. The deal would transform LSE into a leading global player in data and trading platforms. LSE has itself received many advances in the past 20 years and there’s talk this latest move could flush out bidders to acquire LSE as a standalone business.

‘Blue-cross’ day
As a timely reminder of the hazards of mergers and acquisitions, shares in Sports Direct initially crashed 27% after investors heard that Mike Ashley’s company faced a £605 million unpaid tax bill for House of Fraser, which it acquired last August.
Mr Ashley had pledged to transform the high-street retail store into a “Harrods of the high street” when he rescued it. However, his company now describes the problems at House of Fraser as “nothing short of terminal”. More a ‘house of horrors’.

The FTSE All-Share Index nudged up 0.2% over the week to the close on Thursday.

**Not made in China**

To the dismay of many, ‘constructive’ US-China trade talks ended on Wednesday with no agreement in sight. The situation then sharply worsened, after President Trump announced fresh tariffs on another US$300 billion of Chinese goods, effective 1 September.

Companies globally are feeling the ill-effects. The imposition of hefty trade tariffs by the US means that, for many foreign firms, manufacturing in China no longer makes economic sense. Over 50 international companies, including Apple, Sharp and Nintendo, have announced or are considering plans to shift their manufacturing facilities out of China to cheaper bases elsewhere. And local Chinese firms are joining the exodus.

China’s authorities are battling to stem the flight, dangling incentives and benefits aimed at neutralising the impact of tariffs. But for many firms seeking a low-cost manufacturing base, China’s charms are fading fast.

**Trying to please everyone**

The US Federal Reserve (Fed) obligingly cut rates by 0.25% as anticipated, citing weak global growth, trade policy uncertainty and muted inflation.

Some observers questioned the need for a cut – the first since the financial crisis – given that the US economy grew at “a healthy pace” over the first six months of this year and rates are already low. Others, notably US President Trump, scorned Fed Chair Jerome Powell for not lowering rates more aggressively. Mr Powell equivocated, saying while he was not committing to “just one” cut, “this was not the beginning of a long series of rate cuts”.

The US S&P 500 Index returned -2.4% over the week to Thursday’s close.

**Slowing, slowing, nearly gone**

Estimates suggest growth in the Eurozone halved in the second quarter, rising just 0.2%. The economies of Germany and Italy failed to grow at all as a result of the global industrial downturn. Data from France and Spain was also worse than expected, reinforcing calls for the European Central Bank (ECB) to take urgent action. The ECB had earlier signalled its intent to cut interest rates and reboot its quantitative easing programme if the economy continues to flounder. These latest figures will do little to silence those clamouring for action, despite evidence suggesting further cuts to already-negative Eurozone interest rates would be ineffectual, at best.

On Thursday, the Bank of England reduced its UK growth forecasts, citing Brexit uncertainty and the slowing global economy. Holding interest rates steady for now, the Old Lady of Threadneedle Street still expects to raise rates gradually, with the proviso of a smooth Brexit and a pick-up in global growth. Not much to ask for.

The FTSE World Europe ex UK Index ended 0.8% lower over the week to Thursday’s close.