

Friday, 9th June 2017

Morning Round Up

UK General Election ends in hung parliament

Theresa May's decision to call a snap election 7 weeks ago to strengthen her negotiating hand with the EU has truly backfired. Her Conservative Party ended up losing 12 seats, down to 318 from 330 and fall short of the 326 seats needed to win a majority. Polls indicated she held a 20 percentage point lead at the time of the snap election announcement. The big winner was Jeremy Corbyn's Labour party which gained 31 seats to 261. This creates significant uncertainty in British politics once again. The Conservatives could form a coalition party with the DUP, however they want to keep access to the European Single Market and maintain a soft boarder between Northern and the Republic of Ireland. Labour Party could form a coalition with SNP and the Liberal Democrats. Brexit negotiations were due to begin in 10 days' time, however this timeline will most definitely be pushed back now. The UK triggered Article 50 in March 2017, which means it officially has to exit the EU by March 2019. Many Tory members will likely called for Theresa May to step down as a result of her poor performance. The pound weakened 2% against the Euro and the US Dollar in the aftermath. Taking a longer term perspective, this could potentially be a positive for the UK, as this outcome increases the likelihood of a softer Brexit, rather than the hard Brexit Mrs May has been calling for which would see the UK lose access to the European Single Market in order to regain controls of immigration.

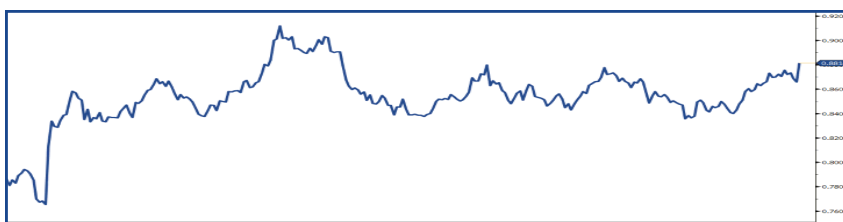
ECB committed to low rates until signs of inflation reappear

Yesterday at the ECB's council meeting, Draghi said the risks to the economic outlook are broadly balanced. The ECB dropped its guidance that rates might fall further which was widely expected given the recent strengthening of Eurozone data in recent months. Q1/17 Eurozone GDP came in a 0.6% yesterday which was stronger than expected. It now expects rates to remain low for an extended period of time until signs of inflation reappear. The Euro weakened against key G10 currency pairs during the Q&A session as Draghi, with EURUSD back below \$1.12 this morning. Draghi also lower its 2018 inflation forecasts which means its loose monetary policy accommodation will likely remain intact for an extended period of time.

Former FBI director James Comey testimony

Yesterday, Former FBI director James Comey testimony in front of the US Senate revealed that there was no evidence that President Trump acted illegally in the lead up to last year's US presidency election. Comey was recently fired by President Trump and said Trump's shifting explanations for dismissing him were "lies, plain and simple". He told the Senate he took detailed notes of his meetings with the president as he feared Trump would lie about their conversations, hence he took detailed notes. Later in the afternoon, Trump's lawyer fired back by saying Mr Trump never asked Comey to demand loyalty from him. US equity markets shrugged off this risk event and ended higher on the day.

EURGBP - price chart



Key Upcoming Events

13/06/17 - Fed Meeting

Market View

Global equities have brushed aside yesterday's risk events. With the DAX Index up 0.7% this morning. The biggest move has come from the Sterling Pound which weakened by roughly 2% against the Euro and the US Dollar. EURGBP rallied to 88.2p and GBPUSD dropped to \$1.27. Bond yields are virtually unchanged with 10 year German yields at 0.26% and 10 year Treasuries at 2.20%. Gold has come off its recent highs as risk asset have caught a bid once again. Oil remained under pressure yesterday following on from Wednesday US oil data which show a build in US oil inventories despite the US being in peak driving season. Key market focus today will be UK Industrial Production data and comments from Jean-Claude Juncker.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	21183	8.84	0.04%	7.18%
S&P	2434	0.65	0.03%	8.71%
Nasdaq	6322	24.38	0.39%	17.44%

Nikkei	20,004	104.00	0.52%	4.65%
Hang Seng	25,941	-122.45	-0.47%	17.91%

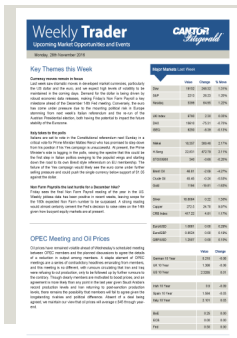
Brent Oil	47.81	-0.16	-0.33%	-15.86%
WTI Oil	45.58	-0.12	-0.26%	-15.15%
Gold	1274	-6.54	-0.51%	11.02%

€/\$	1.1193	-0.0021	-0.19%	6.43%
€/£	0.8805	0.0165	1.91%	3.16%
£/\$	1.2723	-0.0268	-2.07%	3.10%

	Yield	Change
German 10 Year	0.26%	0.003%
UK 10 Year	1.06%	0.027%
US 10 Year	2.20%	0.010%

Irish 10 Year	0.68%	-0.010%
Spain 10 Year	1.47%	-0.004%
Italy 10 Year	2.17%	-0.005%

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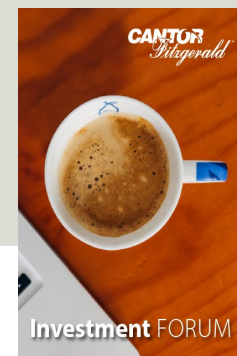
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