

Thursday, 15<sup>th</sup> June 2017

## Morning Round Up

### Increased supply from OPEC rivals to keep stockpiles elevated

A new report from the International Energy Agency yesterday said new oil supplies from OPEC's rivals will be more than enough to meet global growth in demand next year. The agency also said the U.S., Brazil, Canada and other producers outside the Organization of Petroleum Exporting Countries will increase output next year by the most in four years. Effectively the increase in production from non-OPEC producers will offset the drop in supply from the agreed upon oil production cuts from OPEC members which were recent extended to March 2018. This report weighed heavily on oil prices with WTI closing below \$45 and Brent below \$47 overnight. This has weighed on the broader energy sector which in turn has weighed on global equities.

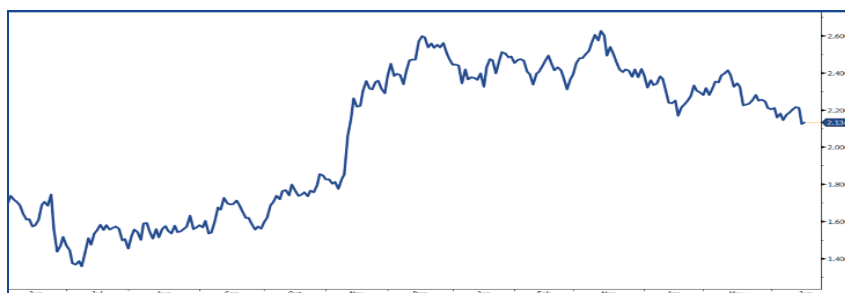
### UK in Limbo as DUP talks continue and Brexit Looms

Prime Minister Theresa May's talks with Northern Ireland's Democratic Unionists are dragging on and the BBC have reported there is no deal expected until next week. May is under increasing pressure to accommodate a cross-party consensus on Brexit. Scottish First Minister Nicola Sturgeon wrote to May to demand clarity on her plans for talks with the European Union and protect "participation" in the bloc's single market and customs union. Two former Tory PMs, David Cameron and John Major, have urged May to collaborate with rival parties on shaping the U.K.'s departure from the EU. Their separate interventions came after France and Germany told Britain the door is still open to reversing its decision to leave.

### The Fed delivers 25bps rate as expected

Yesterday evening, the Fed delivered its third 25bps rate hike in 6 months which was widely anticipated by the market. This leaves the Fed Funds rate range between 1.00% - 1.25%. It kept its dot plot unchanged, which shows the Fed intends to deliver one further 25bps rate hike before the end of 2017 and potentially three to four further 25bps rate hikes in 2018. However, the market doesn't agree with the Fed currently given the soft inflation and economic readings of late in the US. The market is only anticipate a 50% probably of another rate hike before the end of 2017. We saw a big move in US 10 year Treasury yields yesterday closing 9bps lower on the day to 2.12%, its lowest reading since November 2016. The Fed also outlined its plans to taper the size of its balance \$4.5bn balance sheet. Beginning later in 2017, the Fed intends to reduce its holdings of Treasuries by \$6bn a month, increasing by \$6bn a quarter until monthly reductions total \$30bn. It also intends to reduce the size of its Mortgage Backed Securities holding by \$4bn a month, increasing by \$4bn a quarter until monthly reductions total \$20bn. Theoretically, by the end of 2018, its balance sheet could be reducing by \$50bn per month.

### US 10 year yield - price chart



### Key Upcoming Events

19/06/2017 - Brexit negotiations due to begin

### Market View

Overnight, global oil prices weighed on the energy sector which weighed on global equities and has continued into Europe this morning. WTI and Brent prices are trading below \$45 and \$47 a barrel respectively. Financials also came under pressure as global bond yield drifted lower with US 10 year at 2.12% and 10 year German yields at 0.234%. Continued soft economic data readings in the US and the fact the Fed still delivered a rate hike is weighing on market sentiment this morning also. Key market focus today is the Bank of England's monetary policy meeting which is broadly expected to keep policy unchanged. French CPI and UK retail sales data will also be closely watched.

### Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	21375	46.09	0.22%	8.16%
S&P	2438	-2.43	-0.10%	8.89%
Nasdaq	6195	-25.48	-0.41%	15.08%

Nikkei	19,832	-51.70	-0.26%	3.75%
Hang Seng	25,652	-224.04	-0.87%	16.60%

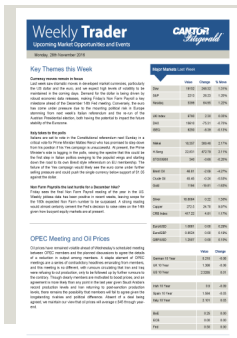
Brent Oil	46.94	-0.06	-0.13%	-17.39%
WTI Oil	44.65	-0.08	-0.18%	-16.88%
Gold	1262	0.80	0.06%	9.95%

€/\$	1.1214	-0.0004	-0.04%	6.63%
€/£	0.8804	0.0007	0.08%	3.15%
£/\$	1.2737	-0.0014	-0.11%	3.22%

	Yield	Change
German 10 Year	0.24%	0.012%
UK 10 Year	0.93%	-0.106%
US 10 Year	2.14%	0.010%

Irish 10 Year	0.67%	0.007%
Spain 10 Year	1.39%	0.007%
Italy 10 Year	1.95%	0.007%

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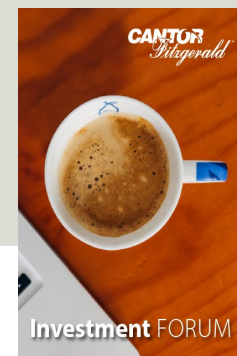
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