

Thursday, 5<sup>th</sup> October 2017

## Morning Round Up

### Theresa May - A day to forget

Theresa May gave her annual speech to the Tory conference yesterday and just about everything that could go wrong went wrong. Firstly a prankster comedian managed to infiltrate the conference, walk up to her and hand her a mocked up P45. She was then afflicted by a prolonged coughing fit that resulted in any points she was trying to make being interrupted. Lastly, the slogan behind her on the wall fell down as she spoke. The Tory party had been looking to this speech for May to reassert control over the party and to project the strong leadership image she had lost since the election. It had the opposite effect. The Telegraph went as far as calling her finished and implied that senior Tories are already planning her ousting. Eurasia Group, an influential think-tank reduced her survival probability down from 60% to 55% with "serious downside pressure".

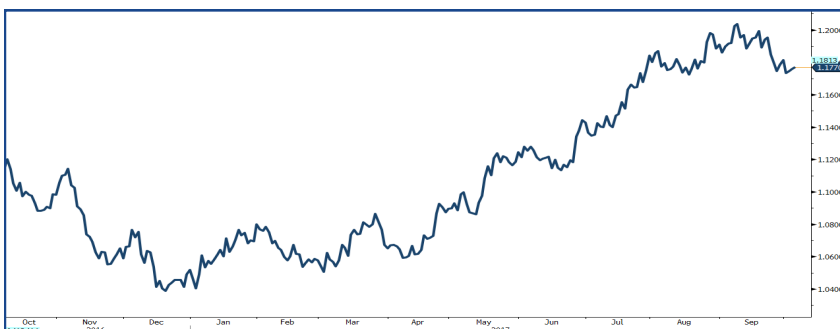
### WTI crude moves back below \$50 a barrel

Oil had its fourth straight down day yesterday following a month of gains driven by increasing speculation that the OPEC deal is achieving its target of balancing the market, expectations of growing demand due to a more positive global GDP growth scenario and supply interruption due to US hurricanes and North African instability. The recent decline was driven by the latest EIA report which showed that US crude exports, despite a 2 week hurricane interruption, rose to 1.056m barrels a day. US production climbed also climbed further. Net imports of crude fell to a record low, not seen in data that goes back to 1973. Increased US crude exports have basically wiped out 9 months of OPEC production cuts. We have been guiding for oil prices to remain constrained as any cuts by OPEC are likely to be offset by US producers. The Saudis and Russians meet today to discuss a possible extension of those cuts.

### Recent USD strength should be short term

We had been guiding for a pullback in the euro rally due to the stretched nature of the long euro and short dollar positioning. This has occurred with EURUSD moving from its August high of \$1.20 to \$1.177. It has also been driven by the recent German election, the Catalan issue, improving US economic data and increasing likelihood of a Fed hike in December. However we still expect EURUSD to end the year at \$1.18 - \$1.20. Washington political volatility should pick up as tax reform negotiations proceed and European economic fundamentals remain stronger than the US. A potential ECB tapering announcement on Oct 26th is the next major event.

### EURUSD Price Chart



Source: Bloomberg, CF Research October 2017

### Key Upcoming Events

26/10/2017—ECB Meeting

### Market View

European equities opened marginally lower this morning which can be put down to profit taking as the DAX Index and CAC Index are both trading at new all-time highs. The Pound has weakened marginally following Theresa May's speech yesterday with EURGBP back above 89p this morning. Key market focus today will be the minutes released from the last ECB meeting which should give traders further clues on the likelihood of the possibility of the ECB announcing a tapering to its QE programme later in the month which could see European bond yields drift higher. Key focus tomorrow will be US employment data releases.

### Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	22662	19.97	0.09%	14.67%
S&P	2538	3.16	0.12%	13.35%
Nasdaq	6535	2.91	0.04%	21.39%

Nikkei	20,629	1.90	0.01%	7.92%
Hang Seng	28,379	205.97	0.73%	28.99%

Brent Oil	55.97	0.17	0.30%	-1.50%
WTI Oil	49.97	-0.01	-0.02%	-6.98%
Gold	1276	0.87	0.07%	11.17%

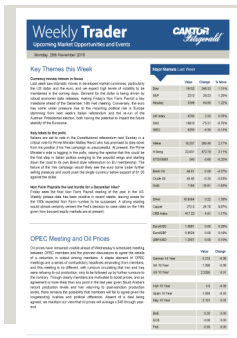
€/\$	1.177	0.0011	0.09%	11.91%
€/£	0.8920	0.0043	0.49%	4.50%
£/\$	1.3196	-0.0052	-0.39%	6.94%

	Yield	Change
German 10 Year	0.46%	0.011%
UK 10 Year	1.37%	-0.012%
US 10 Year	2.33%	0.011%

Irish 10 Year	0.73%	0.010%
Spain 10 Year	1.80%	0.013%
Italy 10 Year	2.21%	0.019%

Source: Bloomberg, CF Research October 2017

# Cantor Publications & Resources



## Weekly Trader

On Mondays, we release our weekly note in which we provide a view on equity markets for the coming days, and highlight a number of equities which we believe provide exposure to the important themes unfolding in the markets. Our in-house Investment Committee meets on a weekly basis to craft this strategy, thereby allowing clients to dynamically position portfolios to take advantage of the most up to date market developments.

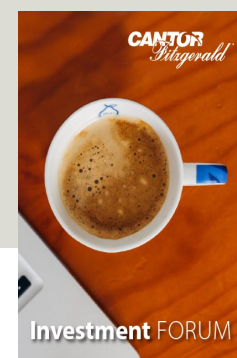
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