

Friday, 8th December 2017

Morning Round Up

Brexit Divorce Deal Reached

Britain reached a historic deal with the EU this morning that sets in motion its exit from the union and clears the way for trade talks next year. The negotiations have been quite difficult with the UK forced into several concessions but this is most definitely a political win for Theresa May. Sterling rallied vs all major currencies in morning trading. This is positive for companies with significant sterling exposure, including Bank of Ireland and Ryanair. The DUP's Arlene Foster stated she had secured "substantial changes" to the text of the deal which would ensure that the North leaves the EU under the regime as the UK, yet the text of the document implies that if a solution cannot be found the North will remain part of the EU. It appears to be a case of kicking the can down the road. But importantly it allows trade negotiations to start. This had been a drag on sterling and UK economic sentiment of late.

Another Tailwind for European Banks

Central bankers yesterday agreed long-awaited capital rules in what was a positive development for European banks. The end result is a compromise, which will see "no significant increase" of overall capital requirements, as stated by the Basel Committee on Banking Supervision. Authorities set guidelines for calculating and managing risk posed by assets on banks' balance sheet that were not as stringent as previously envisaged. Banks with significant excess capital now have a much clearer path to buybacks and dividends. It should also allow some banks to think about potential bolt-on acquisitions or perhaps purchasing additional loan books. Here at Cantor, we have been long European banks since the start of the year and it is a trade that has done well. This, allied with the [recent news that](#) the SSM is re-thinking its NPL proposal, are further tailwinds for an already buoyant sector.

US Yield Curve Concerns

We have been highlighting the [flattening in the US yield curve](#) as something to monitor for clients over the past few months. There are a number of factors driving this which ensures we are not too worried about it at this stage. Bloomberg had a survey out yesterday that asked 11 notable fixed income analysts their view. Six of the 11 called for the curve to invert briefly within 24 months, with 4 calling for it to happen in 2018. The gap between the two and ten year yield, which started the year at 125bps, has now narrowed to 50bps. The strategists surveyed see this contraction continuing, shrinking to 43 basis points by mid-2018 and 30bps by year end.

EURGBP - 4 Day Chart



Source: Bloomberg, CF Research November 2017

Key Upcoming Events

- 12/12/2017 Federal Reserve Board Meeting
- 14/12/2017 ECB Council Meeting
- 21/12/2017 US Quarterly GDP

Market View

US dollar was poised to move ahead as markets digest the next step of tax reform and some comments from Mr Trump overnight that implied he may look to reignite his infrastructure spending plan. Higher than expected Japanese quarterly GDP pushed Asian equities on after an 8 day losing streak. Congress passed a two week extension on the debt ceiling which also helped risk on sentiment. Market focus today will be on US non-farm payrolls and any developments related to the Brexit agreement which happened overnight.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	24211	70.57	0.29%	22.51%
S&P	2637	7.71	0.29%	17.78%
Nasdaq	6813	36.47	0.54%	26.56%

Nikkei	22,811	313.05	1.39%	19.34%
Hang Seng	28,640	336.66	1.19%	30.18%

Brent Oil	62.47	0.27	0.43%	9.94%
WTI Oil	56.83	0.14	0.25%	5.79%
Gold	1246	-1.14	-0.09%	8.59%

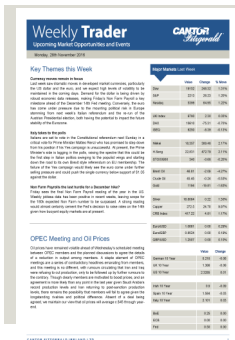
€/\$	1.1738	-0.0035	-0.30%	11.61%
€/£	0.8709	-0.0028	-0.32%	2.04%
£/\$	1.3477	0.0003	0.02%	9.21%

	Yield	Change
German 10 Year	0.31%	0.021%
UK 10 Year	1.31%	0.054%
US 10 Year	2.38%	0.016%

Irish 10 Year	0.50%	0.015%
Spain 10 Year	1.42%	0.014%
Italy 10 Year	1.67%	-0.007%

Source: Bloomberg, CF Research November 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.

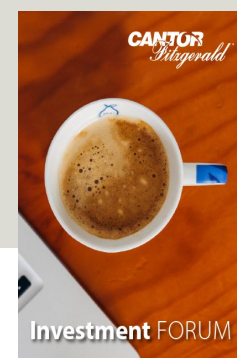
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