

Friday, 11<sup>th</sup> May 2018

## Morning Round Up

### US CPI Data

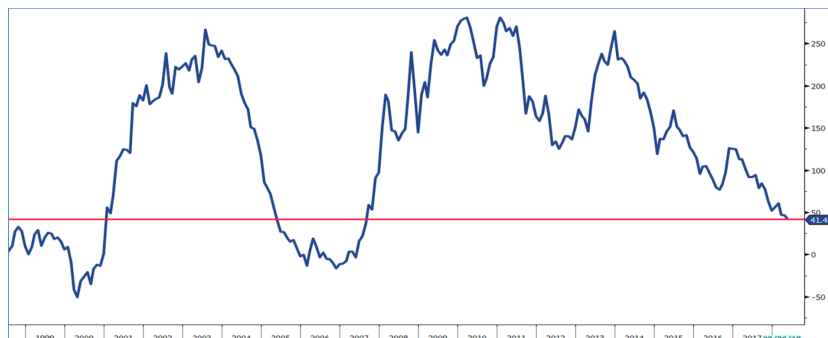
US CPI data yesterday came in as expected but in general punctured the inflation narrative we have been observing in markets recently. Month on month figures showed headline CPI coming 0.2% (est. 0.3%) with core CPI at 0.1% (est. 0.2%). The yearly figures were 2.5% (est. 2.5%) and 2.1% (est. 2.2%). This was the slowest gain in core inflation since November of last year. Core CPI for the last three months was 1.8%, the lowest since July. Apart from fuel costs increasing (+1.4%), this report highlighted the lack of any broad based inflation pressures in the US economy. One of the major questions in the market this year has been whether not the Fed moves three or 4 times. We have also seen the US 10 year yield move above 3% as oil prices have moved up. We were of the opinion [that the Fed would go three times](#) and believed that some [yield retracement](#) was likely as we had yet to see evidence of widespread sustained inflation in the US economy. Following this data yesterday, the US ten year yield moved down from [3%](#) to 2.95% while EURUSD moved back from its lows to \$1.19, [as we had expected](#). It should also be noted with yesterday's yield movements the US 2-10 year spread is now at 43bps. The last time it was at this level and in a downtrend was June 2005.

### Datalex confirms loyalty contract

This morning Datalex announced its agreement with Multiplus S.A, a leading Brazilian loyalty coalition network, to deliver its commerce platform for airline and travel products. This confirms Multiplus as the first client who will utilize Datalex's [loyalty platform](#). Management had announced its first client on the platform in March, however it did not provide further details. At present Multiplus has 19.9m customers. We will update again post speaking to management.

### Bank of England firmly on the fence

After the market completed a [180 degree turn on expectations](#) of a May rate hike, the Monetary Policy Committee (MPC) did not move on the base lending rate yesterday. The committee voted 7-2 to maintain the current level of 0.5%. For investors looking to gain some insight on the future path of sterling rates, there was not much to go on as the committee have adopted a wait and see approach. Soft economic data drove the decision to hold rates at 0.5% and the MPC will maintain a data driven approach. Although, it did not alter its central forecast for economic activity suggesting it believes that weather was the primary driver of weakness in the first quarter, In a BBC interview, Carney commented "It's likely over the course of the next year rates will go up... that's the most likely thing to happen." Inflation has been running above the target level of 2% for over a year but this is mostly driven by higher prices of imported goods caused by a weaker pound. The pound weakened on the back of the announcement yesterday trading up to 0.882 against the Euro. The inconsistency from the Governor is the major take away from yesterday's policy meeting.



Source: Bloomberg, CF Research May 2018

### Key Upcoming Events

30/06/2018 US Tariff Exemption Deadline

### Market View

Asian markets were up overnight after US inflation data came in below forecasts, weakening the FEDs ability to tighten monetary policy aggressively. The US ten year yield fell to 2.95% as the dollar weakened. EUR/USD was 1.19 this morning. Recent weak data in the UK led the BOE to a dovish tone from the BOE at yesterdays policy meeting. This led the pound to weaken. EUR/GBP was at 0.88 this morning. WTI oil flat overnight \$71.19. European markets opened up this morning while US markets finished up yesterday evening.

### Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	24740	196.99	0.80%	0.08%
S&P	2723	25.28	0.94%	1.85%
Nasdaq	7405	65.07	0.89%	7.27%

Nikkei	22,758	261.30	1.16%	-0.03%
Hang Seng	31,116	306.29	0.99%	4.00%

Brent Oil	77.24	-0.23	-0.30%	15.51%
WTI Oil	71.16	-0.20	-0.28%	17.78%
Gold	1321	-0.82	-0.06%	1.38%

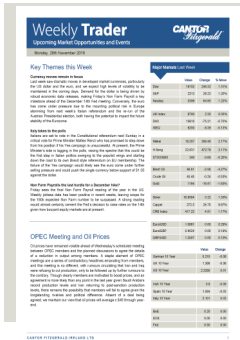
€/\$	1.1904	-0.0011	-0.09%	-0.84%
€/£	0.8801	-0.0014	-0.15%	-0.90%
£/\$	1.3525	0.0006	0.04%	0.09%

	Yield	Change
German 10 Year	0.544	-0.013
UK 10 Year	1.43	0.000
US 10 Year	2.953	-0.009

Irish 10 Year	0.962	-0.014
Spain 10 Year	1.29	-0.024
Italy 10 Year	1.901	-0.034

Source: Bloomberg, CF Research May 2018

# 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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## Regulatory Information

### Issuer Descriptions: (Source: Bloomberg)

**Datalex:** Datalex plc provides e-business infrastructure and solutions to customers in the global travel industry. The Group's services encompass Internet booking engines that link to reservation systems of travel providers, as well as support systems that allow travel companies to gather marketing information from airline data.

### Historical Recommendation:

**Datalex:** We have been positive on the outlook for Datalex since 14/04/14 and no changes to our recommendation have been made since then.

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