

Friday, 7th September 2018

Morning Round Up

Europe picture improves

European equities have had a tough few months being roiled by several market events and factors; fears over European banks' Turkish exposure, [tariffs fears](#) and [EM worries](#) (European companies would have more exposure to EM markets than their US counterparts). After 26 consecutive weeks of outflows (\$40bn of outflows YTD), European equities were trading at very attractive valuations but lacked a major catalyst to move higher. Data this week has shown that European equities saw \$0.3bn of inflows this week. Though small in magnitude, this could be the start of a turnaround for European equities, especially considering the lack of upside left in US equities and [US tech underperformance](#). We have also noticed an improvement in European data, with the Citi European Surprise Index turning up. French manufacturing data for July came in this morning at 0.7% growth, well ahead of estimates 0.2%. Lastly, EM assets appear to be stabilising over the last few days which should also help. It is early days but European equities may have just turned a corner.

British Airways suffers data breach

British Airways have disclosed that hackers stole customer data from its system for two weeks from August 21st. Personal and financial details were stolen but travel and passport information was not. The breach has been resolved and BA has contacted all the relevant customers. This data breach comes after a 2017 outage which left its computer systems unable to function and thousands of passengers stranded. Shares in its parent company IAG fell 3.5% at the open.

Brexit Update

Ashmore has become the latest UK based asset manager to establish an office in Dublin in advance of the UK leaving the EU. It stated it is doing this "in order to ensure continued access to EU based institutional clients". Ashmore are just the latest to do so as the possibility of a hard Brexit has increased over the past few months (though this has declined over the last week). The EU-UK summit begins on October 18th, however officials on both side have stated that that deadline could be pushed out till November. Prior to this there is a Conservative Party conference on Sept 30th. If there is a leadership push or any changes to the Brexit bill, we believe it should occur in advance of that. Finally the last European Council meeting of the year is on December 13th. This is widely accepted as the definitive last day for a deal to be signed off on.

EURGBP



Source: Bloomberg, CF Research September 2018

Key Upcoming Events

07/09/2018 US Non Farm Payrolls
26/09/2018 Fed Interest Rate Decision

Market View

Europe has opened positive as EM assets stabilised overnight. The only real negative sector overnight was semi-conductor stocks, which have seen several downgrades from some reputable houses. Focus today will be on US non farm payrolls which have the potential to get the US dollar bid again, an obvious negative for EM assets. Elsewhere there may be some movement on tariffs today as the consultation period for the next round of \$200bn of US tariffs on China ended yesterday.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	25657	-76.62	-0.30%	3.79%
S&P	2857	-4.84	-0.17%	6.86%
Nasdaq	7878	-10.64	-0.13%	14.12%

Nikkei	22,602	190.95	0.85%	-0.72%
Hang Seng	27,653	-137.38	-0.49%	-7.57%

Brent Oil	75.24	0.51	0.68%	12.52%
WTI Oil	68.42	0.59	0.87%	13.24%
Gold	1189	3.78	0.32%	-8.71%

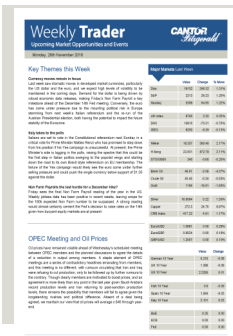
€/\$	1.1565	0.0025	0.22%	-3.67%
€/£	0.9012	0.0003	0.03%	1.48%
£/\$	1.2833	0.0022	0.17%	-5.03%

	Yield	Change
German 10 Year	0.34%	0.001%
UK 10 Year	1.27%	0.001%
US 10 Year	2.83%	0.000%

Irish 10 Year	0.85%	-0.006%
Spain 10 Year	1.37%	-0.001%
Italy 10 Year	3.10%	0.011%

Source: Bloomberg, CF Research September 2018

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