

Friday, 14th September 2018

Morning Round Up

Central bank round up

It was a busy day yesterday for central bankers with both the BOE and ECB in action. However the main focus of markets was actually on the Turkish central bank after recent [currency jitters](#) which have caused consternation in EM markets. Market fears were somewhat assuaged as the Turkish central bank raised its one week repo rate from 17.75% to 24%, 2% ahead of economist's expectations. Mr Erdogan had given a fiery speech the previous night where he bemoaned interest rates as a "tool of exploitation". In fact just two hours before the decision, Mr Erdogan had actually called for a *rate cut*. The independence shown by the central bank was exactly what markets were looking for and the Turkish lira moved up 6% vs the US dollar. European banks, which had sold off on [Turkish exposure worries](#), also rallied with the decision.

For the BOE, it was a case of steady as she goes. It kept its base rate at 0.75% by a vote of 9-0, [as expected](#). It pledged to continue with an "ongoing tightening of monetary policy" at a gentle pace so long as there is a smooth adjustment to Brexit. This was in line with [market expectations](#). There was no change to inflation or growth projections. For the first time the BOE published a new survey and its latest summary of business conditions around the country. It implied that corporates may be underestimating a slowdown in sales and that weakness was likely to continue. Sterling was positive post meeting vs the dollar (due to a poor US CPI print) but remained flat against the euro.

It was Mr Draghi's birthday yesterday but no presents to speak of. He confirmed that the ECB has initiated its plans to wind down its QE program (purchases are halving to €15bn a month from October to year end). Rate guidance was reiterated, implying no hike until at least after the summer of 2019. There was no change in inflation forecasts with the ECB expecting inflation to be 1.7% for 2018, 2019 & 2020. Regarding its growth projections, ECB forecasters shaved 0.1% off its expected GDP growth for each of the next 2 years (2.0% in 2018, 1.8% in 2018 & 1.7% in 2020). For Mr Draghi, it was another consummate performance. He has managed to flag and start the end of QE and markets have generally giving it a passing nod. Mr Draghi noted rising protectionism and EM stress as the main near term risks. The euro moved up against the dollar (again mainly due to the poor US CPI print) while European yields came off slightly, as the meeting was perceived as slightly dovish. But in summary it is [as you were for](#) the ECB.

Paypal receives upgrades as consensus PT moves higher

Paypal has received a number of upgrades with top end price targets calling for the stock to move towards \$108 and higher with consensus targets showing 6.1% upside at \$97.83. Paypal, one of our core portfolio holdings, offers US tech growth rates at more reasonable valuation multiples, while also having the in favour tangible business model. We maintain our outperform rating on Paypal.



Source: Bloomberg, CF Research September 2018

Key Upcoming Events

19/09/2018 EU Leaders Summit
26/09/2018 Fed Interest Rate Decision
30/09/2018 Conservative Party Conference

Market View

President Trump's comments relating to trade did not derail the Asian rally over night, as US indices also posted gains. The dollar is heading for its biggest weekly loss since February on the back of some weaker than expected inflation data as well as central bank moves from Turkey easing EM fears. The dollar is currently trading above \$1.17. European markets are pointing to a positive day, with financials benefiting from higher yields as the German 10 year moved above 43bps. The market will be looking to the US this afternoon with price and retail sales data being keenly watched.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	26146	147.07	0.57%	5.77%
S&P	2904	15.26	0.53%	8.62%
Nasdaq	8014	59.48	0.75%	16.08%

Nikkei	23095	273.35	1.20%	1.45%
Hang Seng	27286	271.92	1.01%	-8.80%

Brent Oil	78.42	0.24	0.31%	17.27%
WTI Oil	68.81	0.22	0.32%	13.89%
Gold	1207	5.58	0.46%	-7.35%

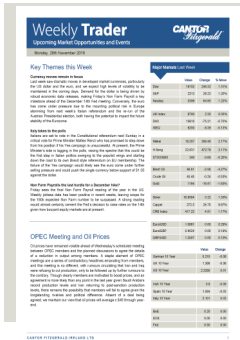
€/£	1.1707	0.00	0.15%	-2.48%
€/£	0.8916	0.00	-0.04%	0.40%
£/\$	1.313	0.00	0.17%	-2.83%

	Yield	Change
German 10 Year	0.43	0.01
UK 10 Year	1.526	0.02
US 10 Year	2.9756	0.01

Irish 10 Year	0.91	0.01
Spain 10 Year	1.477	0.01
Italy 10 Year	2.96	0.0080

Source: Bloomberg, CF Research September 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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Each month our Private Client and Research departments collaborate to issue a publication which highlights the performance of our flagship products, funds and our Core Portfolio, including the Green Effects fund, most recent private equity deals and structured product investment opportunities.

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Investment Forum

Through our investment Forum we bring you the latest market news, investment insights and a series of informative articles from our experts.

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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

PayPal: PayPal operates a technology platform that enables digital and mobile payments on behalf of customers and merchants.

Historical Recommendation:

PayPal: We added PayPal to our Core Portfolio on the 20/07/15 and have an Outperform outlook on the stock

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