

Thursday, 20<sup>th</sup> December 2018

## Morning Round Up

### Fed raises interest rates, signals more hikes ahead

After weeks of market volatility and calls by President Donald Trump for the Federal Reserve to stop raising interest rates, the US central bank instead did it again yesterday, and stuck by a plan to keep withdrawing support from an economy it views as strong. US stocks and bond yields fell hard on the decision. With the Fed signalling "some further gradual" rate-hikes and no break from reducing its massive bond portfolio, traders fretted that policymakers could choke off economic growth. Interest-rate futures show traders are currently betting the Fed won't raise rates at all next year. Wednesday's rate increase, the fourth of the year, pushed the central bank's key overnight lending rate to a range of 2.25% to 2.50%. In a news conference after the release of the policy statement, Fed Chairman Jerome Powell said the central bank would continue trimming its balance sheet by \$50bn each month, and left open the possibility that continued strong data could force it to raise rates to the point where they start to brake the economy's momentum. Powell did bow to what he called recent "softening" in global growth, tighter financial conditions, and expectations the US economy will slow next year, and said that with inflation expected to remain a touch below the Fed's 2.0% target next year, policymakers can be "patient."

Fresh economic forecasts showed officials at the median now see only two more rate-hikes next year compared to the three projected in September. But another message was clear in the statement issued after the Fed's last policy meeting of the year as well as in Powell's comments: The US economy continues to perform well and no longer needs the Fed's support either through lower-than-normal interest rates or by maintaining of a massive balance sheet. In its statement, the Fed said risks to the economy were "roughly balanced" but that it would "continue to monitor global economic and financial developments and assess their implications for the economic outlook." The Fed also made a widely expected technical adjustment, raising the rate it pays on banks' excess reserves by just 20 basis points to give it better control over the policy rate and keep it within the targeted range. However, the decision to raise borrowing costs again is likely to anger Trump, who has repeatedly attacked the central bank's tightening this year as damaging to the economy.

### Facebook facing more privacy issues

Facebook has been embroiled in more privacy issues as reports emerge that it gave technology company's access to users private data. Reportedly, Facebook gave Netflix and Spotify the ability to read Facebook users' private messages. This news, along with a lawsuit over the Cambridge Analytica scandal, saw the stock trade down 7.25% yesterday. We maintain a positive outlook on Facebook, however, user growth and privacy issue continue to be headwinds for the stock causing volatility over the next 6-9 months. We expect the stock to find support at its November low of \$131.55 and see this as a good buy at a historically low valuation multiple of c. 15x 12 month blended earnings.

### Greencore provides details on tender offer

Greencore confirmed this morning that it intends to return up to £509m to shareholders via a tender offer, at a price of 195p. This represents a 17.5% premium to yesterdays close. The maximum number ordinary shares that can be acquired is 26,025,641 or 37% of shares on issue. The tender offer opens today and will close at 1pm on the 29th of January 2019 with cash payments expected no later than the 7th of February 2019. We advise clients holding GNC to participate in this offer up until the price rises above 195p. We maintain our 12m price target of 223p

### Key Upcoming Events

20/12/2018 Bank of England Interest Rate Decision

### Market View

US markets closed down sharply after the Federal Reserve continued on its gradual rate rising path. The market had been hoping for a "dovish hike", however, Chairman Powell did not succumb to external pressure. Asian markets followed suit selling off and European markets opened this morning down c. 1.5%. US futures are pointing to a negative open this afternoon. Yields have fallen on the news, with the US and German 10 year bonds trading at 2.75% and 21bps respectively. The BOE meets today with little expectations of any action in the wake of Brexit. Volumes are expected to be lower into the holiday period. On the data front, the UK has some retail sales data this morning.

### Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	23324	-351.98	-1.49%	-5.65%
S&P	2507	-39.20	-1.54%	-6.23%
Nasdaq	6637	-147.09	-2.17%	-3.86%

Nikkei	20393	-595.34	-2.84%	-10.42%
Hang Seng	25624	-241.86	-0.94%	-14.36%

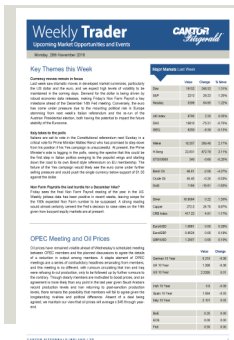
Brent Oil	55.57	-1.67	-2.92%	-16.90%
WTI Oil	46.68	-1.49	-3.09%	-22.74%
Gold	1250	7.17	0.58%	-4.03%

€/\$	1.143	0.01	0.47%	-4.79%
€/£	0.9028	0.00	0.08%	1.65%
£/\$	1.2662	0.01	0.41%	-6.30%

	Yield	Change
German 10 Year	0.213	-0.03
UK 10 Year	1.233	-0.04
US 10 Year	2.7583	0.00

Irish 10 Year	0.871	-0.03
Spain 10 Year	1.373	-0.01
Italy 10 Year	2.78	0.0060

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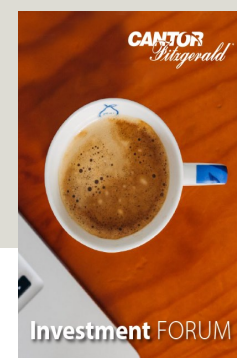
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