# Daily Note

Views, news and topics from today's markets

Friday, 15<sup>th</sup> March 2019

## **Morning Round Up**

#### Global gloom forces Bank of Japan to temper its outlook

The Bank of Japan kept monetary policy steady on Friday but tempered its optimism that robust exports and factory output will underpin growth, a nod to heightened overseas risks that threaten to derail a fragile economic recovery. Factories across the globe slammed on the brakes last month as demand was hit by the US-China trade war, slowing global growth and political uncertainty in Europe ahead of Britain's departure from the European Union. In a nod to the increased risks, the central bank cut its assessment on overseas economies to say they are showing signs of slowdown. It also revised down its view on exports and output. At a two-day rate review ending on Friday, the Bank maintained a pledge to guide short-term interest rates at minus 0.1% and 10-year government bond yields around zero percent. The widely expected decision was made by a 7-2 vote. The central bank also stuck to its view Japan's economy is expanding moderately, but added a phrase that "exports and output have been affected by slowing overseas growth." In January, it said only that the economy was expanding moderately.

## Trump/Xi summit at least not until end-April

The Trump/Xi summit that was supposed to take place later this month is now reported (Bloomberg) to take place at end-April if it happens at all. We all know that the easy parts to the agreement were for China to promise to buy more goods (agriculture and energy products), agree to keeps its currency stable, and for the US to back off on tariffs. However, the more difficult parts (intellectual property for example) were not something that an agreement was going to be easy to forge. As important as the contents of the deal itself is the desire for both sides to be seen to be agreeing to a fair deal and take this back home as a victory. Initially, China seemed happy to lop a Trump/Xi summit at the tail end of a European visit from Xi, but now it worries that Trump might simply choose to walk away without a deal. If and when the Trump/Xi summit gets the go ahead, it will be after the i's have been dotted and t's crossed on any deal. What this means for financial markets is that we are in store for a further two months of US/China trade related headlines and volatility. More importantly it also means that the tariffs will stay in play for a further two months and are likely to remain a drag to global trade and growth.

#### Oil hits four month high

Oil has hit a four month high with WIT and Brent rising to \$58.80 and \$67.50 respectively this morning. Expectations are that OPEC+, who meet this weekend, will extend its production cuts into the second half of the year. OPEC have already helped oil prices rise by 30% this year as it moves to cut global supplies. Meanwhile prices have been supported by lost exports from Venezuela, Algeria and Iran. With Iranian waivers set to come back into focus over the coming months and as progress continues in US - China trade talks, oil prices should be supported in the immediate term. However with US pipelines capacity set to upgraded by year end, a surge in shale supply from the region is expected. This will put significant downward pressure on prices.

We continue to see further upside in the energy majors. Structural improvements over the past four years has led them to become highly cash generative while reducing the need for inflated oil prices. Royal Dutch Shell has broken through its 100DMA and 50DMA this morning. We expect it to push further forward in the short term.



## Key Upcoming Events

20/03/2019 FOMC Interest Rate Decision 21/03/2019 BOE Interest Rate Decision 29/03/2019 UK leaves the European Union

## **Market View**

US markets finished marginally lower yesterday but held above the 2800 level on the S&P 500. Asia was strong overnight on a Chinese tax cut and improving risk appetite. The BoJ left rates unchanged this morning but lowered its economic forecast. Europe has opened positive, while futures indicate a positive open in the US later today. Sterling is holding an £0.85 handle as Mrs May is set to seek an extension to the Article 50 exit date. Today is expected to be a quiet day, as investors consider this week's developments in Brexit. On the data front, Europe release core inflation data and the US publish some manufacturing and production data.

Market Moves						
	Value	Change	% Change	% Change YTD		
Dow Jones	25710	7.05	0.03%	10.21%		
S&P	2808	-2.44	-0.09%	12.03%		
Nasdaq	7631	-12.50	-0.16%	15.01%		
Nikkei	21451	163.83	0.77%	7.18%		
Hang Seng	29012	160.87	0.56%	12.25%		
Brent Oil	67.56	0.33	0.49%	25.58%		
WTI Oil	58.81	0.20	0.34%	29.51%		
Gold	1303	6.88	0.53%	1.60%		
€/\$	1.1321	0.00	0.15%	-1.27%		
€/£	0.8555	0.00	0.22%	-4.83%		
£/\$	1.3233	0.00	-0.07%	3.76%		
			Yield	Change		
German 10 Year			0.08	-0.01		
UK 10 Year			1.216	-0.01		
US 10 Year			2.6231	-0.01		
Irish 10 Year			0.669	-0.01		
Spain 10 Year			1.195	0.00		
Italy 10 Year			2.53	0.0280		

Source: Bloomberg, CF Research March 2019

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## **Cantor Publications & Resources**

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## 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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