Daily Note
Views, news and topics from today's markets
CANTOR Fitzgerald
Thursday, 21st March 2019

Morning Round Up

Brexit set to come right down to the wire

Prime Minster May wrote to the European Council yesterday, to request a short extension to the March 29th Article 50 exit date. In response, Donald Tusk agreed in principle to an extension on the condition that the House of Commons accept the Withdrawal Agreement. This leaves Mrs May in a precarious position of one final vote on the Withdrawal Agreement. The PM has to circumvent the Speaker of the House who blocked "meaningful vote 3" earlier this week insisting the government cannot bring legislation to the House that is "the same or substantially the same". While, it is likely that the Prime Minster will get "meaningful vote 3" to the members of the House early next week, it will be the last iteration of this withdrawal agreement. If MPs accept the deal, both the European Parliament and the House of Commons will have to agree a technical extension to the end of May or possibly the end of June in order to implement the legislation required to enact the agreement. If the deal is rejected, as current numbers suggest it will, the landscape becomes much more uncertain. At this point the UK will have to seek an extension, the terms and length of which are unknown or leave the European Union on the 29th March with no deal in place. The path over the coming days to the exit date remains extremely unclear. We view the risks to sterling, UK equities and Irish equities, as not being full reflective of the downside risk associate with a "no deal" scenario. As such we are advising clients to reduce exposure to these assets until some clarity emerges.

Fed sees no rate-hikes in 2019, sets end to asset runoff

The Federal Reserve on Wednesday brought its three-year drive to tighten monetary policy to an abrupt end, abandoning projections for any interest-rate hikes this year amid signs of an economic slowdown, and saying it would halt the steady decline of its balance sheet in September. The measures, announced following the end of a two-day policy meeting, mean the Fed's gradual and sometimes fitful efforts to return monetary policy to a more normal footing will stop well short of what was foreseen in late 2015 when the central bank first moved rates from the near-zero level adopted in response to the 2007-2009 financial crisis and recession. Having downgraded their US growth, unemployment and inflation forecasts, policymakers said the Fed's benchmark overnight interest rate, or fed funds rate, was likely to remain at the current level of between 2.25% and 2.50% at least through this year, a wholesale shift of their outlook. Rates are now seen peaking at 2.6%, sometime in 2020, roughly a percentage point lower than the historic average for the fed funds rate and a sign that the US economy has entered a more sluggish era. In contrast to projections through much of last year, Fed policymakers no longer see the need to move rates to a "restrictive" level as a guard against inflation, which remains lodged below the central bank's 2.0% target. They also said that as of May they would slow their monthly reduction of as much as $50bn in asset holdings, and halt them altogether in September, ending what amounted to a second lever of monetary tightening that had run in the background since late 2017. In terms of interest rates, the new Fed projections knocked the number of hikes expected this year to zero from the two forecast in December, completing a pivot to a less aggressive policy in the face of an apparent jump in economic risks. At least nine of the Fed's 17 policymakers reduced their outlook for the fed funds rate, a comparatively large number.

Next meets expectations as online sales drive results

Next's results this morning meet financial expectations as the business shifts to online. Revenue was £4.22bn (est. £4.22bn) with pretax profit of £722.9mln (est. £724.7mln). Retail sales (£1.95bn) were down 7.9% on FY17, while Online sales (£1.91bn) grew by 14.7%. Retail margins are under pressure, with operating margin down 1.8%, as like for like sales continue to fall while store operating costs remain. Online margins held steady at 18.4%. Management cut its profit guidance by 0.6% on changing product mix to lower margin items.

Source: Bloomberg, CF Research March 2019

Key Upcoming Events

21/03/2019 BOE Interest Rate Decision
21/22/03/2019 European Council Meeting
29/03/2019 UK leaves the European Union

Market View

US markets finished lower yesterday as investors reacted to a dovish Federal Reserve. Asian markets were mixed overnight, as uncertainty continues in relation to the outlook for a US-China Trade deal made worse by President Trumps comments. Europe opened marginal lower this morning, while futures point to a mixed open in the US. Brexit continues to dominate this side of the Atlantic as the European Council meet today to discuss Brexit. Mrs May will be charting a path to Commons for "meaningful vote 3" after Donald Tusk offered an extension to Article 50 only on the condition the House votes through the Withdrawal Agreement.

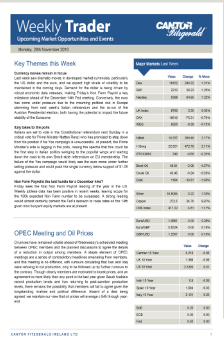
Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	25746	-141.71	-0.55%	10.37%
S&P	2824	-8.34	-0.29%	12.66%
Nasdaq	7729	5.02	0.07%	16.48%
Nikkei	21609	42.07	0.20%	7.96%
Hang Seng	29072	-249.41	-0.85%	12.48%
Brent Oil	68.51	0.01	0.01%	27.34%
WTI Oil	60.13	-0.10	-0.17%	32.42%
Gold	1319	6.06	0.46%	2.81%
€/$	1.1402	-0.0011	-0.10%	-0.57%
€/£	0.8665	0.0016	-0.18%	3.75%
£/$	1.316	-0.0038	-0.29%	3.18%

	Yield	Change
German 10 Year	0.049	-0.035
UK 10 Year	1.104	-0.053
US 10 Year	2.512	-0.014
Irish 10 Year	0.643	-0.040
Spain 10 Year	1.12	-0.045
Italy 10 Year	2.445	-0.081

Source: Bloomberg, CF Research March 2019

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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Monthly Investment Journal

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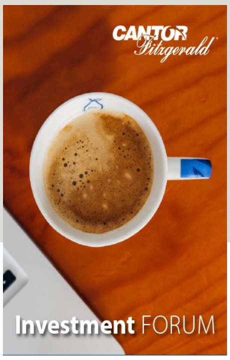

Investment Forum

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

[Click here]

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