

Friday, 22nd March 2019

Morning Round Up

May gets two-week "Brexit" reprieve from impatient EU

European Union leaders have given Prime Minister Theresa May two weeks' reprieve, until April 12, before Britain could lurch out of the EU if she fails to persuade lawmakers to back the withdrawal treaty she concluded with Brussels. But after seven hours of summit brainstorming on Thursday, her 27 peers kept a host of options open, ramping up pressure on parliament to support May, giving Britain an outside chance of staying in for much longer – but also preparing to deflect blame for the chaos of any no-deal "Brexit". May had wanted to be able to delay Britain's departure until June 30 to tie up legislative loose ends, and tried to reassure the EU that she could overturn two heavy defeats to clinch a last-gasp parliamentary ratification of her deal next week, so allowing a status-quo transition period to come into effect. EU leaders had planned to endorse a shorter extension, to May 22, the eve of EU parliamentary elections, and leave any discussion of how to deal with May losing until next week. But diplomats said the Prime Minister singularly failed to reassure them she could win. Some sensed she did not believe it herself. After May left the room, and with French President Emmanuel Macron pitching a surprise ultimatum for Britain to be out, deal or no deal, by May 7 -- the eve of a summit on the EU's post-Brexit future -- the meeting plunged into frantic debate. The outcome, with which May declared herself satisfied, was that the May 22 date will apply if parliament rallies behind her next week. If it does not, Britain will have until April 12 to offer a new plan or choose to quit without a treaty. That date corresponds to the six weeks' legal notice required for the EU election - which the Union would insist Britain hold on May 23 if it remains a member. If it does not hold the election, leaders said, the very last date Britain must leave would be June 30, before the new EU parliament convenes.

Bank of England – Ignore short-term data, waiting for "Brexit" clarity

That the policy outlook is being held hostage to "Brexit" developments is clear from the minutes of the latest Bank of England meeting released yesterday. The fact that interest rates/QE were left on hold, and will remain on hold until "Brexit" is resolved is not new, but what stood out from the meeting minutes was: (1) the uncertainties related to "Brexit" which saw the Bank highlight that "short-term economic data may provide less of a signal than usual about the medium-term growth outlook"; (2) a reiteration of the need to tighten by a gradual and limited extent although policy can move in either direction related to "Brexit" and (3) business investment is expected to fall further in Q1 having declined in the last four quarters, with the Bank estimating investment to have been between 6% and 14% lower as a result of "Brexit" uncertainty. Overall, there was nothing really to see here besides the Bank being in a wait and see mode (like the rest of us) as it awaits clarity on "Brexit".

NIKE delivered good Q3 but North American sales concern investors

NIKE released a strong set of results after the bell last night but some weakness in North America revenues saw the stock trade 4.5% lower in afterhours trading. Q3 revenue was \$9.61bn (est. \$9.65bn), with North America revenue of \$3.81bn (est. \$3.85bn). Gross margin came in ahead of expectations at 45.1% (est. 44.7%) and earnings per share also beat at 68c (est. 65c). Despite posting 7% growth in revenue, investors concerns focused on slowing growth in North America, while the remainder of the business faced persistent currency headwinds dampening growth in global regions. The business added 130bps to gross margin due to growth in NIKE Direct and higher average selling prices. Management repurchased \$754mln worth of NIKE stock in the period.

Source: Bloomberg, CF Research March 2019

Key Upcoming Events

21/22/03/2019 European Council Meeting
29/03/2019 (12/04/2019) UK leaves the European Union

Market View

US markets posted strong gains yesterday as investors considered Wednesday's Fed meeting. Asian stocks followed suit overnight posting positive gains. Europe had a mixed open this morning as French and German PMI data disappointed across the board. Futures indicate a mixed open in the US later today. German bund yields fell this morning to 1bps, the lowest yield since the summer of 2016. Investors will be watching PMI data today, after disappointing French and German data, we await Euro Area and US prints. We will also be watching the fall out in Westminster as MPs discuss the current state of play of Brexit.

Market Moves

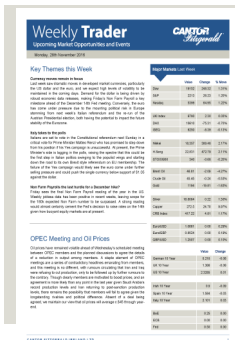
	Value	Change	% Change	% Change YTD
Dow Jones	25963	216.84	0.84%	11.30%
S&P	2855	30.65	1.09%	13.88%
Nasdaq	7839	109.99	1.42%	18.14%
Nikkei	21627	18.42	0.09%	8.06%
Hang Seng	29113	41.80	0.14%	12.64%
Brent Oil	67.47	-0.39	-0.57%	25.41%
WTI Oil	59.74	-0.24	-0.40%	31.56%
Gold	1310	0.91	0.07%	2.17%
€/\$	1.1302	-0.0072	-0.63%	-1.44%
€/£	0.8621	-0.0057	0.66%	4.28%
£/\$	1.311	0.0003	0.02%	2.79%

	Yield	Change
German 10 Year	0.007	-0.034
UK 10 Year	1.059	-0.005
US 10 Year	2.503	-0.034

Irish 10 Year	0.598	-0.037
Spain 10 Year	1.07	-0.031
Italy 10 Year	2.449	-0.007

Source: Bloomberg, CF Research March 2019

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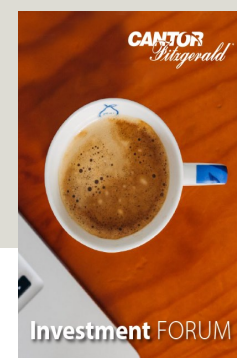
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