

Tuesday, 28th May 2019

Morning Round Up

Fiat plans to merge with Renault

Yesterday, Fiat Chrysler confirmed that it has proposed a €32.6bn merger with Renault, potentially creating the third largest carmaker in the world. The joint company would be 50% owned by Fiat shareholders and 50% by Renault shareholders. Shares in Fiat and Renault rose by 8% and 12% respectively on the back of the news. Renault's board members will meet informally over the next few days with the aim of having a decision on whether to go ahead with the deal by next week. Strategically it makes sense for both companies as sheer scale should help protect it against competition, reduce costs and invest more heavily in projects (such as electric cars and autonomous vehicles). The announcement has been welcomed by both the French, who owns 15% of Renault, and Italian governments. Falling auto sales globally has led both company's share prices to struggle over the past year. Given slowing economic conditions this trend is expected to continue. However, a deal of this size should ensure the company's profitability over the longer term.

European Elections assuage market fears

European markets reacted positively to election results, with the STOXX 600 up 26bps on Monday. Voters bucked a decades-long trend of falling turnout figures at 50.9%. Despite success for the Marine Le Pen's National Rally and Matteo Salvini's Lega, the far right, anti-establishment, parties did not capitalise on increasing Eurosceptic and nationalistic populism, only posting marginal gains. The traditional centre and pro-European parties retain a majority in the parliament but the two largest parties, the EPP and S&D, have lost their overall majority and will now need to include some of the smaller parties in a larger coalition. Green politics also had a strong showing across Europe as climate and environmental issues come to the fore. As the final seats are filled over the coming days, the manoeuvring for top jobs has begun. The likely outcome will be a coalition including the EPP, the S&D, the liberal ALDE and the Greens. EPP commission president candidate, Manfred Weber, now facing a more challenging path to the top job. French President, Emmanuel Macron, looks to capitalise on his party's position in the ALDE to wrestle power from Germany. Markets will be looking for swift action, regarding the appointment of a new commission, as several significant issues remain outstanding. Italy is being threatened with a €4bn fine for breaching commitments on lowering its national debt and a new Tory Prime Minister has the potential to change Brexit's direct. As well as a new ECB president.

One year STOXX 600



Source: Bloomberg, CF Research May 2019

Key Upcoming Events

01/06/2019 Chinese Tariff Deadline
28-29/06/2019 G20 Summit

Market View

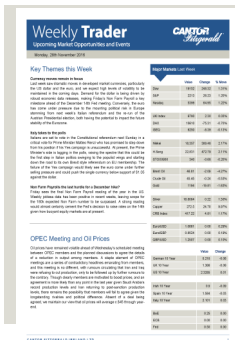
European equity markets are relatively flat on open this morning. Trade tensions continue to dominate the markets attention. The latest headline was again negative with Trump stating that the US is "not ready" for a trade deal with China. As expected bonds continue to gain. The US ten year yield has fallen to 2.28%, its lowest level since October 2017. The German 10 year has fallen to -15.2bps, its lowest level since 2016. Brexit uncertainty, following Theresa May's departure, is weighing on the pound (EUR/GBP at £0.88). Elsewhere, Oil remains below \$60 (WTI) a barrel following last Thursday's heavy sell off.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	25586	95.22	0.37%	9.68%
S&P	2826	3.82	0.14%	12.73%
Nasdaq	7637	8.73	0.11%	15.10%
Nikkei	21260	77.56	0.37%	6.22%
Hang Seng	27366	77.84	0.29%	5.88%
Brent Oil	69.94	-0.17	-0.24%	30.00%
WTI Oil	58.94	0.31	0.53%	29.80%
Gold	1284	-1.68	-0.13%	0.09%
€/\$	1.1184	0.00	-0.09%	-2.47%
€/£	0.8833	0.00	0.06%	-1.74%
£/\$	1.2661	0.00	-0.14%	-0.73%
			Yield	Change
German 10 Year			-0.15	-0.01
UK 10 Year			0.925	-0.03
US 10 Year			2.2886	-0.03
Irish 10 Year			0.479	-0.01
Spain 10 Year			0.797	-0.02
Italy 10 Year			2.71	0.0370

Source: Bloomberg, CF Research May 2019

Cantor Publications & Resources



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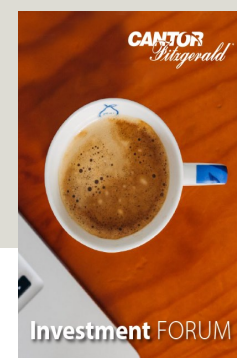
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