

Thursday, 27<sup>th</sup> June 2019

## Morning Round Up

### Trade set to drive market momentum

Trade will drive the direction of financial markets next week as Trump and Xi meet in Japan on Saturday at the G20 summit. Tensions have been strained for the past month following Trump's decision to increase the tariff rate, on \$200bn worth of Chinese imports, to 25% last month. Since then we have seen China respond with hikes on \$60bn worth of US imports, the creation of a blacklist of China technology companies and an "unreliable" US companies list. The effect of this trade war on the global economy is clearly evident. Global trade volumes and new orders have plummeted, global leading industrial and manufacturing indications have dropped and business confidence has fallen. An important statistic which emerged last week was the effect the initial 25% tariff has had on Chinese exports to the US. Since the 25% tariff on \$50bn worth of Chinese imports was enacted in June 2018, exports of these goods to the US has fallen by 30% yoy. In comparison to goods which have avoided tariffs which have held at the same pace as the rest world.

There has been renewed optimism heading into the talks this week as the general tone has become slightly more conciliatory from the US. At present the most likely outcome would be another truce between the two sides and a reopening of discussion on a potential deal. However, having already broken down on fundamental differences the road to an agreement appears to be a long way away. The US has identified intellectual property theft, unfair competition laws in China for foreign companies and the unsustainable trade deficit as priorities. Should uncertainty between both sides continue to drag on for the remainder of 2019, global growth will suffer and the ability for central banks to offset a recession next year may be limited.

### Chr. Hansen drops after profit warning

Ingredient company, Chr Hansen, downgraded its profit forecast this morning leading it to decline by 13% on open. The company cited a slowdown in demand for natural colours and dietary supplements for cattle as being responsible for the downgrade. As a result it now expects revenue growth to range between 7% - 8% as opposed to 9% - 11% previously. The news has seen Kerry Group (peer) drop by 1.6% this morning.

### H&M jumps on Q2 results

H&M shares are up 10% this morning after releasing Q2 results that showed inventory levels have fallen. The stock has suffered since 2015, falling by 60% as lower footfall and declining earnings led investors to question its sustainability. Fortunately this morning revealed that inventory levels have shown to dip this quarter, store openings have slowed, pricing trends have improved and online sales are gaining.

### H&M 5 year stock price



Source: Bloomberg, CF Research June 2019

### Key Upcoming Events

28-29/06/2019 G20 Summit  
01-02/07/2019 OPEC meeting

### Market View

Equity markets in Europe have followed Asian stocks higher this mornings as optimism grows of a truce between Trump and Xi this weekend at the G20. While there was little new news from Trump, the general tone has become more conciliatory in the lead up to the meeting. Higher beta sectors have opened well this morning with Consumer Discretionary and Financials gaining close to 1%. Safe haven assets have moved lower with yields rising (US 10 year back to 2.06%), gold moving lower and the yen falling. On the data front, business and consumer confidence in Europe, inflation from Germany and the final Q1 US GDP read will be watched closely today.

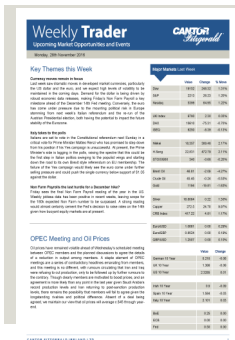
### Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	26537	-11.40	-0.04%	13.81%
S&P	2914	-3.60	-0.12%	16.38%
Nasdaq	7910	25.25	0.32%	18.83%
Nikkei	21338	251.58	1.19%	6.61%
Hang Seng	28621	399.44	1.42%	9.19%
Brent Oil	65.89	-0.60	-0.90%	22.47%
WTI Oil	58.97	-0.41	-0.69%	29.86%
Gold	1404	-5.17	-0.37%	9.69%
€/\$	1.1369	0.0000	0.00%	-0.85%
€/£	0.8959	-0.0002	0.02%	0.34%
£/\$	1.2691	0.0001	0.01%	-0.49%

	Yield	Change
German 10 Year	-0.294	0.009
UK 10 Year	0.846	0.015
US 10 Year	2.054	0.007
Irish 10 Year	0.212	0.011
Spain 10 Year	0.40	0.008
Italy 10 Year	2.159	0.018

Source: Bloomberg, CF Research June 2019

# Cantor Publications & Resources



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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.

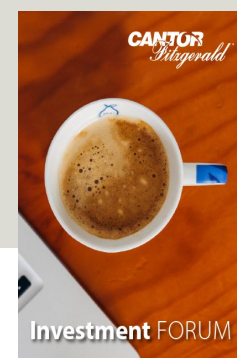
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