

Wednesday, 03rd July 2019

Morning Round Up

European leaders nominate top ticket

After three days of debate, EU leaders have agreed on four names for the EU's top jobs in Brussels. Germany's Ursula von der Leyen, the defence minister under Chancellor Merkel, was chosen for Commission President, replacing Jean-Claude Juncker. Charles Michel, former Belgium Prime Minister, was selected for President of the European Council replacing Donald Tusk. Spanish socialist, Josep Borrell, was selected for the foreign-policy and security representative replacing Federica Mogherini. Finally, Christine Lagarde, head of the IMF and former French finance minister, has been selected to replace Mario Draghi as ECB president. The package of nominees, except for European Council President, need to be approved by the new EU parliament and will likely face some opposition. If elected, both Mrs von der Leyen and Mrs Lagarde, will be the first women to assume their respective offices. Mrs Lagarde will also be the first President of the ECB not to be a trained economist. With Mr Draghi having pushed guidance out to 2020, the new president with the aid of new chief economist Philip Lane will have a difficult task as inflation remains persistently below target and economic growth falters. The new Commission President, the most powerful position across the EU institutions, will likely see a continuation of current policy. Leo Varadkar's supported the nomination commenting "I am confident that the solidarity that we have had from Jean Claude Juncker will continue under the new commission at present - assuming of course that she is ratified by Parliament."

Trump picks two Fed nominees who support softer policy

Donald Trump has chosen two dovish candidates, who similar to himself, support softer central bank policy. The first, Christopher Waller, is the director of research for the St. Louis Federal Reserve Bank President James Bullard. Bullard himself was the sole supporter of an interest rate cut last in June's policy meeting. The second, Judy Shelton, is known for her unorthodox views of monetary policy and softer central bank policy. She has been acting as an informal advisor to Donald Trump. The message is clear from the nominations. Trump, who has lambasted the Fed for the past year, wants dovish central bank policy to boost the economy and weaken the dollar. The two candidates will need to be accepted by the senate prior to taking their seats.

Tesla beats expectations on deliveries

Tesla has had a volatile path of late, as investors question Elon Musk's ability to deliver the manufacturing infrastructure to support the demand for his electric cars. Numerous failures to meet production targets as well as balance sheet funding concerns saw the stock trending lower. Last night's Q2 numbers saw the company deliver 95,000 units, ahead of estimates of 87,700 and over double its year over year comparison. Tesla will likely continue to be volatile as it builds its manufacturing capabilities. However, on a multiyear outlook the company is leading the market with one of the strongest consumer trends in the switch to electric vehicles.

Key Upcoming Events

05/07/2019 US Non Farm Payrolls

Market View

Equities and bonds have risen this morning as trade and weak economic data continue to dominate headlines. Global bond yields have now hit multi year lows. The US 10 year has dropped below 1.95%, its lowest level since 2016. Meanwhile, the German 10 year bund yield has fallen to -40bps, a record low. Weaker sentiment over the global economy resulted in oils drop yesterday afternoon, despite reports of lower inventory levels in the US. Safe haven assets have gained this morning with the Japanese yen and gold both increasing. The pound continues to weaken (EURGBP at 0.897) in the run up to the Tory leadership vote.

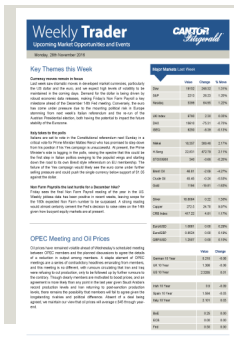
Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	26787	69.25	0.26%	14.83%
S&P	2973	8.68	0.29%	18.60%
Nasdaq	8109	17.93	0.22%	22.21%
Nikkei	21638	-116.11	-0.53%	8.11%
Hang Seng	28855	-20.42	-0.07%	11.64%
Brent Oil	62.28	-0.12	-0.19%	15.76%
WTI Oil	56.21	-0.04	-0.07%	23.78%
Gold	1423	4.44	0.31%	10.96%
€/\$	1.128	0.00	-0.04%	-1.63%
€/£	0.8973	0.00	0.13%	-0.18%
£/\$	1.257	0.00	-0.18%	-1.44%

	Yield	Change
German 10 Year	-0.395	-0.03
UK 10 Year	0.686	-0.04
US 10 Year	1.9481	-0.03

Irish 10 Year	0.093	-0.04
Spain 10 Year	0.21	-0.08
Italy 10 Year	1.75	-0.0870

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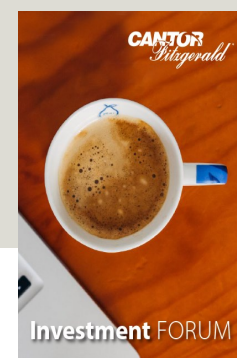
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