

Friday, 05th July 2019

Morning Round Up

Fed eyes jobs numbers today

US Non Farm Payrolls, which will be released this afternoon, will be closely watched by market participants internationally. Having shifted considerably softer on the back of weakening economic data, today's number will help the Fed gauge the extent of this economic deterioration. With the market all but fully pricing in at least a 25bps cut at the next meeting in July, a weaker than expected number will spur further calls for 50bps cut. Following Mays poorer number (75k), consensus forecasts are for 160k jobs to of been created in the US last month. Should it come in considerably below expectations, equity markets could in fact rally on anticipation of a 50bps cut. The unemployment rate (3.6% at present) and the average hourly earnings growth rate (3.1% last month) will also be important. A scenario of weaker job creation, rising unemployment and higher wage inflation would weigh on financial assets.

Samsung guides profit lower

Estimates of Samsung's operating profit for Q2 are down over 50% from the same period last year. Weaker demand across both smartphones and chips is driving lower revenues and lower operating profit. Operating profit is estimated at 6.5tn won (est. 6.08tn won), while revenue is estimated at 52tn won down from 60trwon in Q218. Q218 saw 14.8tn won in operating profit, implying an expected drop of 56%. We will be watching the wider chip and smartphone manufacturers over the coming days as slowing global demand and trade disruption hit profits.

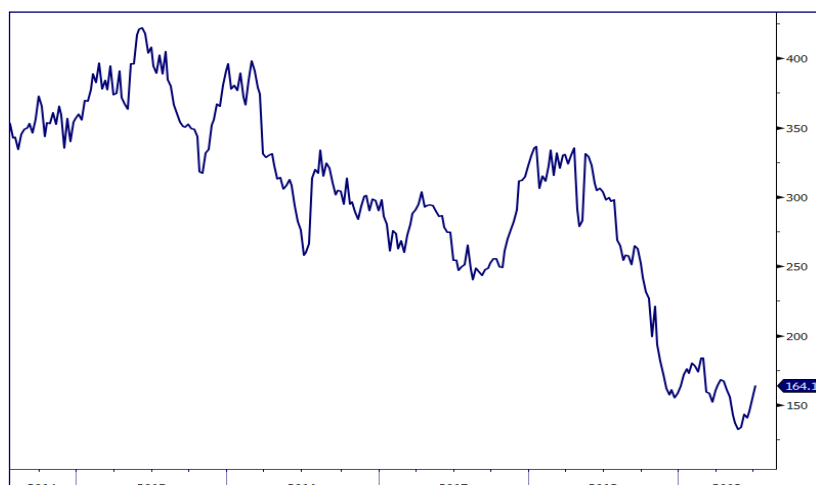
Deutsche Bank facing more restructuring

Reports have emerged that Deutsche Bank are expected to announce a new restructuring plan in the wake of the failed tie up with Commerzbank. Reports are quoting up to 20,000 job cuts across the business with a focus on downsizing across Investment Banking functions. The bank's Equity Trading unit in the US is expected to be wound up.

William Hill to close 700 shops

William Hill plans to close 700 shops, roughly a third of its retail segment, resulting in 4,500 jobs losses. The move follows last years regulatory change, which reduced the limits on Fixed Odds Betting Terminals (FOBTs) max stakes from £100 to £2. This is expected to weigh heavily on profits this year. The industry continues to face difficulty from regulatory bodies internationally with limits and taxes rising in numerous countries.

William Hill 5 year stock price



Source: Bloomberg, CF Research July 2019

Key Upcoming Events

23/07/2019 UK PM Announcement
 25/07/2019 ECB Decisions
 30/07/2019 BoJ Decision
 31/07/2019 Fed Decision

Market View

With US markets closed yesterday, volumes were somewhat muted. Asia was mixed with China and Tokyo advancing, while European equities are trading lower this morning. Yields remain lower on more dovish central bank expectations with the US 10 year at 1.95% and the German 10-year bund at -0.397%. Today's focus will be on US data, with Non-Farm Payrolls expected at 13:30. A continuation of its recent weakness will likely cement expectations of a rate cut in July, while a strong number may cloud the Fed's decision. Brexit will likely continue to weigh on sterling as the final two candidates make their pitch for the leadership of the conservative party.

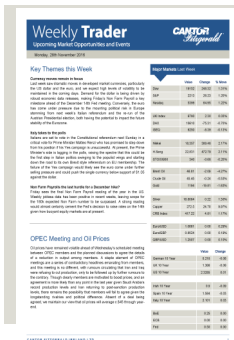
Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	26966	179.32	0.67%	15.60%
S&P	2996	22.81	0.77%	19.51%
Nasdaq	8170	61.14	0.75%	23.13%
Nikkei	21746	43.93	0.20%	8.65%
Hang Seng	28753	-42.52	-0.15%	11.25%
Brent Oil	63.14	-0.16	-0.25%	17.36%
WTI Oil	56.46	-0.88	-1.53%	24.33%
Gold	1414	-1.67	-0.12%	10.29%
€/\$	1.1267	0.00	-0.16%	-1.74%
€/£	0.8964	0.00	-0.09%	-0.29%
£/\$	1.257	0.00	-0.07%	-1.44%

	Yield	Change
German 10 Year	-0.397	0.00
UK 10 Year	0.677	0.00
US 10 Year	1.9529	0.00
Irish 10 Year	0.043	0.00
Spain 10 Year	0.244	0.00
Italy 10 Year	1.64	-0.0340

Source: Bloomberg, CF Research July 2019

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