

Thursday, 26<sup>th</sup> September 2019

## Morning Round Up

### Trump publishes transcript as political tensions mount

Donald Trump has released a transcript of his call with Ukraine's president Volodymyr Zelenskiy just one day after House Speaker Nancy Pelosi announced a formal impeachment inquiry into the US president for abusing his power. The release was an attempt to quash the impeachment inquiry, but the move appears to have backfired as even in the absence of an explicit quid pro quo, Trump is noted as repeatedly putting pressure on the Ukrainian president to investigate Joe Biden's son. Biden at the time was the democratic presidential frontrunner. At one-point Trump is noted as saying; "There's a lot of talk about Biden's son, that Biden stopped the prosecution and a lot of people want to find out about that so whatever you can do with the Attorney General would be great." Opponents say the transcript is proof of an impeachable offence even if the president didn't explicitly link the investigation to military aid, which the Ukraine relies on heavily. On the other side of the aisle, Mr Trump's Republican allies have dismissed the accusations, calling them "witch hunt garbage". The impeachment fight will now turn to the house where acting director of national intelligence will appear before a committee at 9 a.m. ET today to discuss the complaint filed by an unidentified whistle-blower. If the president is impeached it would lead to an increase in short term volatility but if US trade tariffs are lifted, it would be positive for economic growth worldwide.

### Johnson goes on the offensive on parliaments resumption

The Prime Minister arrived back to the UK after losing a historic Supreme Court. With parliament recalled, a number of the government ministers were called to task for their attempts to circumvent parliamentary scrutiny. Mr Johnson used strong language labelling opposition MPs as saboteurs and accusing them of surrendering to Brussels. Again he challenged the opposition to a general election and "face the day of reckoning with the voters". Labour's Paula Sherriff called on the Prime Minister to stop using "dangerous" language, citing the murder of MP Jo Cox in 2016 as a warning to the impact of using such divisive rhetoric. Labour leader, Jeremy Corbyn, held firm, requesting the Prime Minister to extend the October 31<sup>st</sup> deadline before a general election is held. The pound weakened against the euro as both sides hold firm ahead of Brexit day.

### ECB Hawk resigns from the executive board

Germany's representative, Sabine Lautenschläger, on the ECB's executive board resigned raising questions of how divided the bank is on current policy. The ECB did not disclose Ms Lautenschläger reasoning, however, but sources cited a combination of opposition to recent monetary policy, the ending of her extra role in banking supervision and the impending succession at the top of the ECB. Ms Lautenschläger was one of only a small number of members who openly opposed the restarting of its asset purchase program.

### Greencore confirms profit expectations prior to capital markets day

Prior to its capital markets day in London today, Greencore released a brief update to the market. It confirmed that it expects FY19 (which ends on the 30th of September) adjusted EPS to be in line with the current market expectations of 15.6p, implying c.3% growth yoy. This is important, particularly given the weaker Q3 update released at the end of July. The release noted the improvement in revenue growth in Q4, despite subdued trading conditions in the early part of the quarter and a strong comparative period year on year. It also confirmed that it expects debt at the end of FY19 to be at the upper end of its target range of 1.5x-2x EBITDA following the purchase of Freshtime last month. While Greencore has recovered to 225p, it remains relatively cheap at 8.5x EBITDA and 12.2x 12m forward earnings. However, it is highly vulnerable to a no deal Brexit scenario. We therefore maintain our market perform rating for the time being given this Brexit uncertainty. When Brexit risk is reduced further our outlook will become more positive.

Source: Bloomberg, CF Research September 2019

### Key Upcoming Events

17/10/2019 ECB Leaders Summit  
31/10/2019 Brexit Day

### Market View

European equity markets followed US markets higher this morning despite the political risk caused by Donald Trump's potential impeachment. As always trade is dominating headlines with President Trump sending an upbeat message to the market saying a deal was getting "closer and closer". Risk assets and cyclical stocks are currently leading the market higher with Industrials, Technology and Energy the outperformers. Elsewhere, yields are holding up with the German 10 year above -60bps and the US ten year above 1.7%. On the data front German consumer confidence will be important this morning.

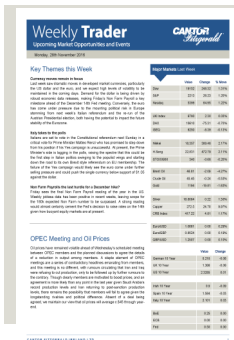
### Market Moves

|           | Value | Change | % Change | % Change YTD |
|-----------|-------|--------|----------|--------------|
| Dow Jones | 26971 | 162.94 | 0.61%    | 15.62%       |
| S&P       | 2985  | 18.27  | 0.62%    | 19.07%       |
| Nasdaq    | 8077  | 83.76  | 1.05%    | 21.73%       |
| Nikkei    | 22048 | 28.09  | 0.13%    | 10.16%       |
| Hang Seng | 26042 | 96.58  | 0.37%    | 0.76%        |
| Brent Oil | 62    | -0.28  | -0.45%   | 15.45%       |
| WTI Oil   | 56    | -0.26  | -0.46%   | 23.83%       |
| Gold      | 1508  | 4.18   | 0.28%    | 17.60%       |
| €/\$      | 1.09  | 0.00   | -0.02%   | -4.59%       |
| €/£       | 0.89  | 0.00   | 0.19%    | -1.26%       |
| £/\$      | 1.23  | 0.00   | -0.22%   | -3.36%       |

|                | Yield | Change |
|----------------|-------|--------|
| German 10 Year | -0.58 | 0.00   |
| UK 10 Year     | 0.53  | -0.01  |
| US 10 Year     | 1.70  | -0.03  |
| Irish 10 Year  | -0.03 | -0.01  |
| Spain 10 Year  | 0.12  | -0.02  |
| Italy 10 Year  | 0.84  | -0.01  |

Source: Bloomberg, CF Research September 2019

# Cantor Publications & Resources



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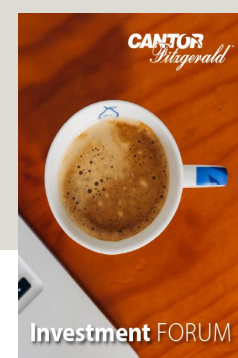
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