

Friday, 27<sup>th</sup> September 2019

## Morning Round Up

### Macron looks toward tax cuts at next budget

The French government has presented a economically supportive 2020 draft budget that should help to offset the slowing European and broader global economy. According to the draft, the lowest income tax rate will be cut to 11% from 14% (a change which is likely to help appease Yellow Vest protestors). In total there will be €10 worth of tax cuts with €1m set for businesses and €9m for households. The government expects economic growth of 1.4% this year and 1.3% next year. The draft budget has seen some pushback from financial watchdogs who warned on the extent of public debt, which currently stands at close to 100% of GDP. French Finance Minister, Mr Le Maire, has asked some of his European counterparts to follow suit. He specifically called for Germany and Netherland to invest within their respective economies, before the economic situation in Europe deteriorates further.

### US housing data improves

The US housing sector had been weakening since 2016 as interest rates rose over the same period. This year we have seen the Fed take a more dovish outlook and with that interest rates have taken a step lower and US housing has benefited due to lower mortgage rates. Mortgage rates had reached a peak above 5% at the end of 2018, but have come back this year falling below 4% briefly this month. September's pending home sales increased by 2.5%, which is a good leading indicator for the sector. Building permits, housing starts, new home sales, and existing home sales are trending higher. The lower for longer rate environment and a strong US consumer should be supportive of the US housing sector.

### Micron guidance disappoints as trade generates uncertainty

Micron released Q4 numbers yesterday that beat expectation but weaker guidance saw the stock trade 6.83% lower in aftermarket hours. Q4 revenues were \$4.87bn (est. \$4.56bn), down 42% from the same period last year. Earnings also beat expectations at \$0.49 (est. \$0.48). While the quarter's results were broadly in line with expectation, investor took issue with management's guidance. Revenues of \$5bn (+/- \$200mln) with diluted earnings per share of \$0.42 (+/- \$0.07). The market was looking for \$0.48 earnings per share. Management citing improving industry demand but are mindful of continued near-term macroeconomic and trade uncertainties. The ongoing trade spat with China is having a significant effect on one of Microns important customers, Huawei.



Source: Bloomberg, CF Research September 2019

### Key Upcoming Events

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

### Market View

European shares have risen slightly higher this morning and treasury bonds stayed relatively unchanged as the market struggles to find direction. The potential impeachment of US president, Donald Trump, will continue to keep market participants on their toes for the coming days. There are numerous important economic readings out today. European consumer confidence, European business confidence, US durable goods orders and US personal spending will all be important. However, the PCE reading (FED's preferred measure of inflation) is likely to dominate sentiment later this afternoon.

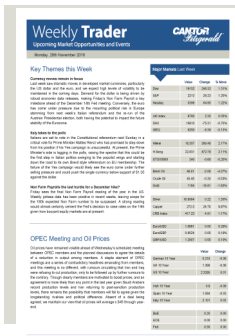
### Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	26891	-79.59	-0.30%	15.28%
S&P	2978	-7.25	-0.24%	18.78%
Nasdaq	8031	-46.72	-0.58%	21.03%
Nikkei	21879	-169.34	-0.77%	9.31%
Hang Seng	25961	-81.20	-0.31%	0.45%
Brent Oil	62.41	-0.33	-0.53%	16.00%
WTI Oil	56.33	-0.08	-0.14%	24.05%
Gold	1499	-5.31	-0.35%	16.92%
€/\$	1.0917	0.00	-0.04%	-4.80%
€/£	0.8889	0.00	0.32%	-1.12%
£/\$	1.2281	0.00	-0.38%	-3.71%

	Yield	Change
German 10 Year	-0.589	-0.01
UK 10 Year	0.476	-0.04
US 10 Year	1.6939	0.00
Irish 10 Year	-0.042	0.00
Spain 10 Year	0.128	-0.02
Italy 10 Year	0.83	0.0040

Source: Bloomberg, CF Research September 2019

# Cantor Publications & Resources



## Weekly Trader

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.

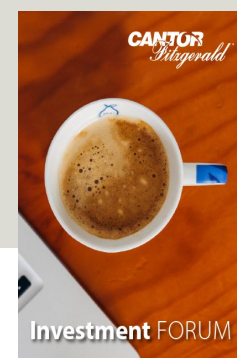
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