

## BORIS REVEALS BREXIT PLANS

This week we saw Boris Johnson outline his Brexit plans to the EU appeasing the Brexit hardliners while drawing frosty reactions from both the EU and Ireland. The new plan will see the removal of the backstop which Theresa May negotiated with the EU, only for it to be shot down three times in parliament. Instead we will see a prior borderless proposal between Ireland and Northern Ireland (NI) replaced by two borders. One between NI and Ireland and another with NI and the rest of the UK.

In reality Boris Johnson's plans will most likely to be shot down by the EU. Implementing controls of any form goes against the EU's frictionless trade mantra. And the EU isn't keen on a technological border either having previously rejected a tech led customs declaration. The chances of a No Deal come deadline day continues to rise.

## THE MARKETS THIS WEEK

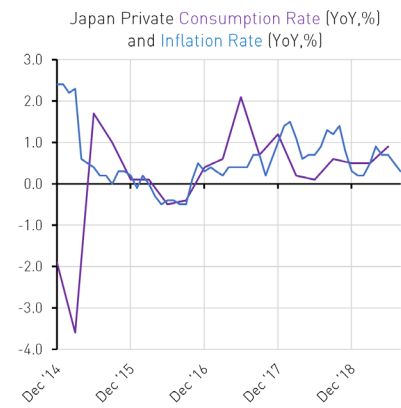
FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-4.59%	-2.25%	-2.14%	-3.84%	-0.85%	-0.15%	-0.04%	-5.26%	+0.51%	+0.26%	+0.40%

### JAPAN: SALES TAX COMES INTO EFFECT

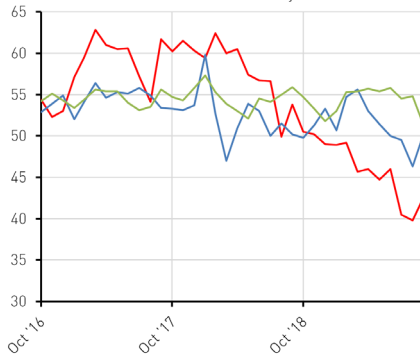


This week Japan's delivered on its long-awaited consumption tax hike from eight to ten per cent. The increase will apply to almost all goods and services bar most food items. Past hikes have had an adverse impact on the economy as shoppers rushed to buy items before the deadline and subsequently cut back on spending sending Japan tumbling into a recession (2014). This time the government promises it will be different. New measures will include a rebate for some items if its paid for by card or other electronic payments.

While the timing of the tax cut amidst slowing growth and manufacturing weakness is inauspicious, Prime Minister Shinzo Abe is willing to potentially take a short term hit in order to help ease the enormous debt burden (world's largest) as well as improving the social safety net. Currently a quarter of the Japanese are aged 65 or older and it is hoped that some of the additional revenues generated will be used to fund the elderly.



Germany Construction, Manufacturing and Services PMI (Monthly)



### EUROZONE: GERMANY TEETERS ON THE BRINK OF RECESSION



Given the continued global headwinds it was unsurprising to see Germany's manufacturing readings remain weak. The manufacturing PMI gauge fell from 43.5 in August to 41.7 - its lowest level since 2009. GDP growth continues to be revised downwards and inflation levels are falling. The two factors that may help Germany avoid a recession is that construction investment is rising, and a tight labour market and favourable interest rates has seen private consumption tick upwards.

The wider eurozone saw inflation rates fall by 0.1 per cent to 0.9 per cent for the month of September - well below the ECB's two per cent inflation target. The ECB implemented a range of monetary stimulus packages last month, including slashing the key interest rate and restarting quantitative easing in order to kick start inflation. However, it's important to distinguish the fact that core inflation (excluding volatile components like energy) actually grew from 0.9 to 1.0 per cent. Headline inflation fell because of cheaper energy prices.

### GLOBAL: CORPORATE BOND ISSUANCES RISES IN SEPTEMBER



Investors on the hunt for yields moved away from sovereign bonds after last summer's rally and into corporate bonds. More than \$430bn of corporate debt was raised globally in September with the bulk of it issued by US companies. Dollar-denominated debt accounted \$159bn of bonds sold.

The central banks dovish tilt off the back of global uncertainty and muted growth led to lowered interest rates which has compressed sovereign yields. In turn this has made corporate bond yields attractive leading to a surge in corporate bond issuance during September. The first-time issuance reached around \$300billion in a month. Among the companies capitalising on favourable rates where the likes of Wirecard, Apple and Disney.

Total Monthly Number of Global Corporate Bond Issuances (2019)

