

BREXIT "BREAKTHROUGH", BITCOIN AND BALLISTICS

This week we finally learned what the government's real Brexit strategy is; bluster for as long as possible before giving in and agreeing to everything at the last minute. The terms of the divorce bill, that was apparently agreed this week, sound a lot like the EU's starting position and doesn't suggest David Davis has negotiated much more over the last six months than a delay. This was always somewhat inevitable – it is vital to get a transition deal because it will be impossible to adequately prepare for life on the outside in the time available. The EU knows this, the UK knows this and the EU knows that the UK knows this.

Elsewhere North Korea reacted to being knocked off the front page by Bitcoin recently by launching another ballistic missile. Analysts use the noise recorded by spy planes and satellites to try and estimate the power of the engines and thus range – which is obviously an inexact science. The latest launch was louder than any other, possibly backing up Kim Jong-Un's claim that this iteration of the weapon is able to reach mainland USA.

THE MARKETS THIS WEEK

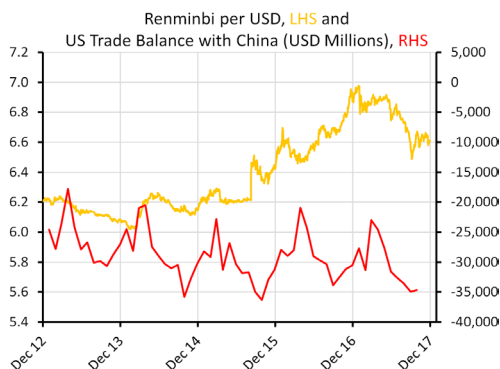
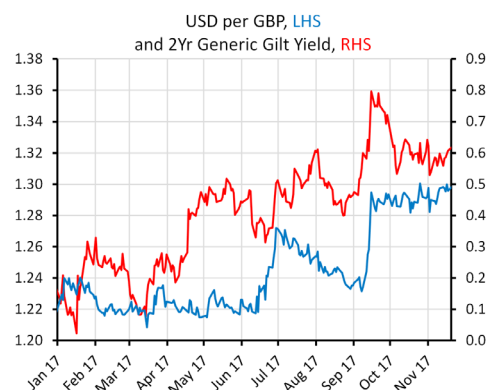
FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-1.35%	+1.94%	+1.19%	-1.21%	-2.65%	+0.04%	+0.04%	-0.49%	-0.92%	-1.86%	+1.13%



UK: STEPPING STONE TO TRADE TALKS

Following negotiations with the European Commission last week, the UK has agreed to meet its full financial obligations as identified by the EU. This is according to Theresa May's lead Brexit official, Oly Robbins. EU negotiators have made it clear that they want the UK to pay all 100bn euros of outstanding liabilities accrued during its membership. This implies a net payment of around 60bn euros once agricultural payments and structural funds for UK investment are taken into account. The UK has been hoping to get this figure down to 40-45bn euros but it is yet to be agreed by both sides.

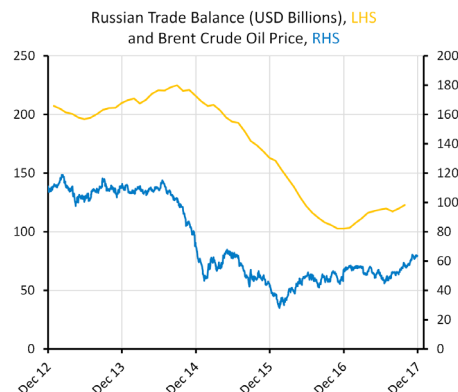
The lack of accord between the UK and EU on this front has been viewed as one of the main stumbling blocks holding back trade talks. This may explain the rallies in the pound against the dollar and two-year gilt yields since the news broke. However, a lack of progress on issues such as citizens' rights and the future of the Irish border in the coming weeks could delay the December target for the start of trade negotiations.



US: THE BATTLE AGAINST KIM'S MISSILES AND XI'S STEEL

On Wednesday North Korea claimed that it is capable of striking anywhere in the US following the launch of "the most advanced missile so far". This was North Korea's first test since September 15. China has called for Pyongyang to avoid any actions to further heighten tension in the region. On the other side of the Pacific Secretary of State Rex Tillerson announced "Diplomatic options remain viable and open for now". The administration has in the past made numerous calls for the country's main trading partner, China, to impose meaningful sanctions against the North but it has been reluctant to do so.

There has been another significant development this week with regards to US-China relations as the Trump administration initiated the first anti-dumping investigation without a formal request from industry in 25 years. This will target Chinese aluminium sheeting imports. On Thursday, the Dow Jones Industrial Average reached a new midday high. Analysts say this is attributable to optimism that corporate tax cuts will, after numerous obstacles, be passed by Congress.



WORLD: OPEC CUTS EXTENDED TO ELIMINATE GLUT

On Thursday OPEC and Russia, which represent 40 percent of global oil production, agreed to extend output cuts until the end of 2018. Under the current deal, which has been in place since the start of 2017 and was due to expire in March, the cartel has been cutting output by 1.8 million barrels per day to lift prices and draw down the excess stocks built up in the years before the global economic downturn. Russia has called for a clear exit strategy to avoid market overheating and a spike in US shale gas production. Saudi energy company Aramco is set for a stock market listing in 2018 and would therefore benefit from higher prices.

The Saudi energy minister announced they would review the cuts in June and that any exit would be done very gradually to avoid shocking the market. However, he claimed that OPEC was only just past the "halfway mark" to drawing down the glut of oil that accumulated between 2014 and 2016. Brent crude rose by 1.6 percent on Thursday to \$64.10 a barrel.