

MARKETS SHRUG OFF NO-DEAL FEARS AND TURN TO US JOBS DATA

This week the UK learned it is going back to the polls, not for a referendum, but for a general election – to decide Brexit. The chances of it deciding anything aren't great, with most betting markets having a hung parliament the most likely outcome. Markets didn't react much to the news, while elections usually add to uncertainty, uncertainty in the UK economy is pretty much maxed out. The resulting Article 50 extension removed the final lingering threat of no-deal that was still priced in and has been a slight boost. The main positive we can see is the chance to report on something else until after the election.

Elsewhere surprisingly strong US jobs figures helped back up Jerome Powell's decision to signal a halt to future US rate cuts. His stated logic was confidence in a US-China trade agreement which it should be noted currently doesn't exist. Previous trade agreements have previously been terminated at the last minute by both sides, making it a very unstable basis for interest rate stability.

THE MARKETS THIS WEEK

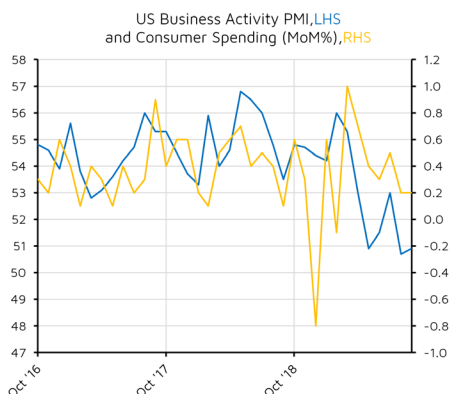
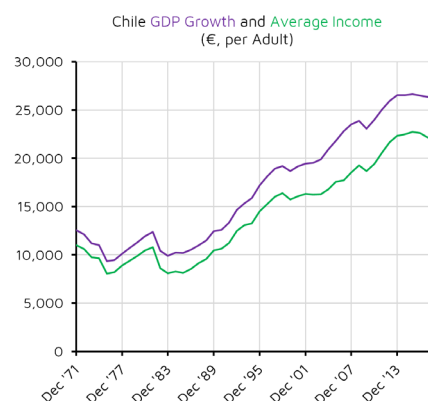
FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-0.76%	+0.91%	+0.22%	-0.35%	+1.63%	-0.11%	-0.05%	-2.57%	+1.03%	-1.69%	+0.98%



GLOBAL: RIOTS TURN UP THE HEAT ON CHILE

While many of the headlines this week have been dominated by the general election in the UK, over in Chile a different political storm has been brewing. What started as mere grumblings over a 30 pesos (£0.03) metro fare price hike quickly descended into mass protests over inequality in Latin America's wealthiest country. While the protests had been mostly peaceful, spiralling violence has left eighteen people dead so far.

President Sebastian Pinera, in an attempt to appease the nation and heed calls for reform, requested the resignation of his entire cabinet last week. However, this appears to have done little to quell the unrest with riots and looting escalating this week. As an indirect consequence, the government has also been forced to cancel the Apec trade summit planned for November. It was hoped that President Trump and President Jinping would have used the summit to rubber stamp phase one of a long-awaited trade deal.



US: FED CUT RATES AS ECONOMY FALTERS

US economic growth fell to its lowest level of the year last quarter but still managed to beat economists' expectations. GDP grew at an annualized rate of 1.9 per cent between June and October, 0.3 per cent greater than economists predicted. Consumer spending eked out a modest gain offsetting the decline in business activity and public spending. The effects of the \$1.5tn tax cut package appear to have waned which, coupled with the ongoing trade war is depressing business confidence.

Meanwhile, in a widely anticipated move, the Federal Reserve (Fed) continued down the dovish path cutting rates by a quarter percentage point. However, there was a marked shift in tone with the Fed chair Jerome Powell potentially signalling a halt to further cuts in the near term. Powell said in the press conference that central bank officials "see the current stance of monetary policy as likely to remain appropriate."



M&A: PEUGEOT AND FIAT CHRYSLER ON THE BRINK OF MERGER DEAL

This week Peugeot (PSA) announced that they were close to completing a merger with Italian-American car maker Fiat Chrysler. The car industry faces an expensive move away from fossil fuel powered cars towards electric vehicles and Fiat Chrysler have been keen to pool resources with other car companies in order to keep pace with the changing landscape. The deal would see the combined group on par with industry giants Nissan (alliance) and Toyota in terms of car sales and have a market cap of £35bn (based on 2018 figures).

However, the merger is by no means a done deal. Fiat Chrysler's attempt in the summer to merge with Renault failed with the carmakers blaming the French government, who own a considerable stake in Renault, for stopping the merger. While the state also owns a 13.7 per cent stake in PSA, this time it's expected that there will be less resistance.

Top 10 Car Manufacturers by Revenues (USD, Millions)

