TRUMP AND MAY SHARE A POSE AS SUCCSESSORS JOSTLE FOR LEADERSHIP

This week while the two current leaders of the UK and USA shared a photo op, we got an interesting look at who might replace them. We learnt more about the candidates for the Conservative party leadership; who largely seem to have been in a collective coma for the last three years; intent on taking us back in time to renegotiate the withdrawal agreement and put it before Parliament. If they had been awake and paying attention they would realise re-treading this path is likely to lead to exactly the same place, a compromise with the EU that fails to win support in either the Commons or the country.

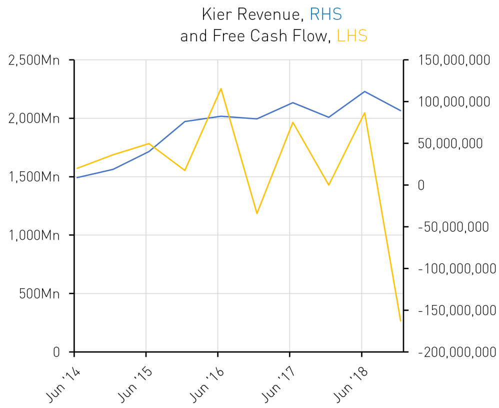
In the US we have the race to be the Democratic nominee for president. While it is an historically wide field, with 24 candidates so far, what unites them is the departure from what used to be considered normal pre-president Trump. Even the most mainstream candidate, former Vice President Joe Biden, is adopting bold policies like the green new deal. Should we end up returning to a more normal idea of president, we will likely still be a long way from a normal idea of a presidency.

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
+1.37%	+1.96%	+1.38%	+1.77%	-0.55%	0.00%	-0.05%	+1.05%	+1.91%	+0.15%	+0.56%

UK: KIER'S SHARES PLUMMET FOLLOWING SHOCK PROFIT WARNING

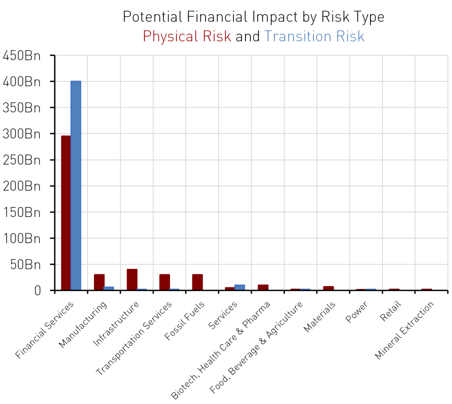
Shares in Kier Group plummeted 48 per cent this week following an unexpected profit warning, prompting fears that the construction and services company is heading the same way as former rival Carillion which collapsed last year. In March, the firm reported a first-half pre-tax loss of £35.5m. It also raised concerns surrounding the performance of its highways, housing maintenance and utilities divisions after Highways England cut back on maintenance spending. Kier confirmed its operating profit for the year to June would be £25m lower than the market expectation of £169m.



Kier will also be hit with higher restructuring costs of £15m as the company's new CEO, Andrew Davies, aims to streamline operations. It is bemusing to see the group warn of a return to debt this year when only last December, it raised £265m via a rights issue designed to strengthen its balance sheet and wipe out debt. Given that only 38 per cent of the offer was taken up by investors and the rest saddled with underwriters, a second rights issue looks unlikely. Investors hope July's strategic review will shed light on how Kier intends to ease the debt burden.

GLOBAL: CLIMATE CHANGE TO COST COMPANIES $1TN WITHIN THE NEXT 5 YEARS

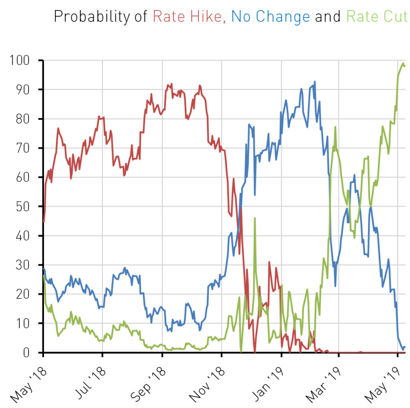
Last year more than 7,000 companies disclosed the specific financial impacts of climate change to the CDP (formerly known as the Carbon Disclosure Project). 215 of the largest global companies shared $1tn of risk between them. These vary from extreme weather directly affecting supply lines to tighter climate regulations hampering the value of oil and gas. No sector provided clear information on climate risk, but the financial services industry proved most forthcoming and accounted for 70-80 per cent of the estimated costs and opportunities. This translates to around $700bn in risks stemming from market sentiment, regulation or other indirect factors.



Much like Newton's 3rd law of motion given the impact to performance, there still remains an upside for sustainable business ideas. Within the financial sector alone, the surveyed companies are forecasted to make $1.2tn in potential revenues from low emission products and services. However, the data provided by fossil fuels companies was laughable. Companies reported more in opportunities than risks from a transition to a low carbon economy.

EUROZONE: ECB MAINTAINS INTEREST RATES TO MID-2020

This week the European Central Bank (ECB) quelled expectations of an interest rate hike in 2019. The earliest date for an interest rate increase is set to be mid-2020. The usual suspects of trade conflicts and Brexit uncertainty have seen the ECB extend its forward guidance. To combat trade fears and stimulate a slowing economy, the ECB also announced low rates on two-year loans to banks, a move designed to ensure continued access for business to borrowing. Finally, the central bank once again lowered its growth forecast for next year from 1.6 to 1.4 per cent and revised inflation down by 0.1 per cent.



Meanwhile Federal Reserve chairman Jerome Powell's cryptic comments earlier in the week prompted a global market rally. He hinted that the central bank will "act as appropriate to sustain the expansion" which the markets have taken as a signal of a potential rate cut this year. The probability of rate cut for the Fed's July meeting now stands at 72 per cent.

Data Sourced from FE Analytics, and Bloomberg Finance LP