

## WILL THE EU AGREE TO A LONGER EXTENSION?

This week we have to turn our attention yet again to Brexit. After a series of votes and high political drama it came as a surprise to no one that we find ourselves in exactly the same position as before. Theresa May has been told again that her deal is the worst of both worlds, simultaneously too hard and too soft, yet is pressing ahead regardless and looks set to put it to yet another vote next week. Meanwhile the headline development of taking "No-Deal" off the table is also meaningless. While No-Deal is now no longer the official policy of the government, it's still going to happen unless parliament can agree to something else.

Markets are treating the news as positive, but will probably face up to reality sometime next week when we start the rigmarole all over again. Even the motion to delay Brexit can't be taken at face value, as a short extension solves nothing. A long extension may be all that's on offer, but don't rule out one of the 27 other countries causing an upset. Right now all outcomes, even those that have been ruled out, are equally likely.

### THE MARKETS THIS WEEK

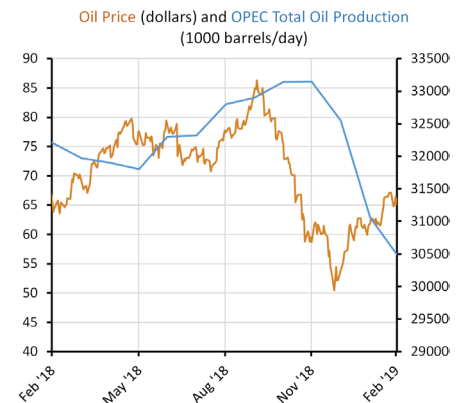
| FTSE 100 | S&P 500 | Nikkei 225 | Euro Stoxx 50 | Hang Seng | US 10 Yr | UK 10 Yr | Brent Crude | Gold   | Wheat  | GBP USD |
|----------|---------|------------|---------------|-----------|----------|----------|-------------|--------|--------|---------|
| +1.58%   | +2.17%  | +2.02%     | +2.16%        | +2.78%    | -0.01%   | +0.03%   | +2.93%      | +0.17% | +4.04% | +1.73%  |

### COMMODITIES: TRUMP RENEWS ATTACK ON OPEC



Late last year OPEC members gathered to discuss how to halt falling oil prices caused by expected Iranian sanctions failing to materialise. At the time Saudi Arabia and Russia stepped in to boost production and, combined with a glut of US shale oil and the extension of waivers to countries importing Iranian oil led to an oversupply. The cartel agreed then to reduce oil production by 1.2 million barrels per day; a few months later, oil price has reached a year high of \$67.6 dollars, much to the annoyance of the President.

Meanwhile this week, the world's largest sovereign wealth fund (Norway) announced its plans to disinvest from oil and gas companies to the tune of £5.7bn. This move will heavily impact upstream oil and gas companies who focus on exploration. Growing domestic climate change concerns have influenced the move although it appears decreasing its oil exposure will help reduce its risk to steep energy price falls as witnessed in 2015 when oil price dropped close to 40 per cent for the year.



### COMPANIES: BOEING 737 PLANES GROUNDED FOLLOWING LATEST CRASH



Following a tragic plane crash this week in Ethiopia which killed all 157 passengers on board, dozens of nations including the US have moved to ground Boeings' 737 Max aircrafts. This is not the first time this has happened, only five months ago a 737 Max aircraft crashed killing 189 people. Unsurprisingly, Boeing's stock has plummeted by close to 12 per cent this week so far. Investigations continue to determine if there was any link between both crashes caused by faulty design.

Elsewhere Adidas, a stock beloved by European fund managers warned that supply constraints would cause it to miss sales growth targets for 2019. By being unable to keep up with demand for mid-priced shoes in North America, it is likely to result in a loss of sales between €200-400m. Most of the impact is set to occur in the first half of the year with sales expected to pick up thereafter.

Boeing and S&P 500 (Normalised USD Prices)



### EUROZONE: INDUSTRIAL OUTPUT PICKS UP FOR THE BLOC

In the latest sign that the global economic slowdown is starting to hurt Germany's manufacturing, industrial output for the month of January fell by 0.8 per cent. The country which narrowly managed to avoid a technical recession last quarter blamed the loss on strikes and a switch to new brands for the decline. German carmakers are having to contend with a decline in car sales in China and tougher new diesel emission laws. Headwinds from abroad are impacting Germany as seasonally adjusted exports were flat for month-on-month January.

However, the wider eurozone's figures made for much better reading. Industrial production rose 1.4 per cent from the previous month of January exceeding market expectations. Energy managed to reverse its decline of 0.6 per cent increasing by 2.4 per cent. Overall, it appears that the bloc has managed to climb out of its industrial technical recession, but it is far too early to say if the positive momentum will continue.

Eurozone Exports (Euro, Billions), RHS and German Exports (Euro, Billions), LHS

