

Market Update

Week 03: 14 January 2019



USA Monetary Policy

- A likely pause

The Wall St Journal's monthly poll of economists reveals that the majority expect the Federal Reserve to hold the upper limit on the Fed Funds rate at 2.5% until midway through this year. That feels about right to us. Mind you, we can't say we're happy with the odds that are currently priced into the market.

The CME Group calculates an implied probability of close to 25% for a rate rise by the June meeting. We'd feel more comfortable at something like 50%, but hey, there's time yet. Beyond that, we're still clinging to an expectation for two 0.25% hikes.

Eurozone Employment Situation

- Definite progress

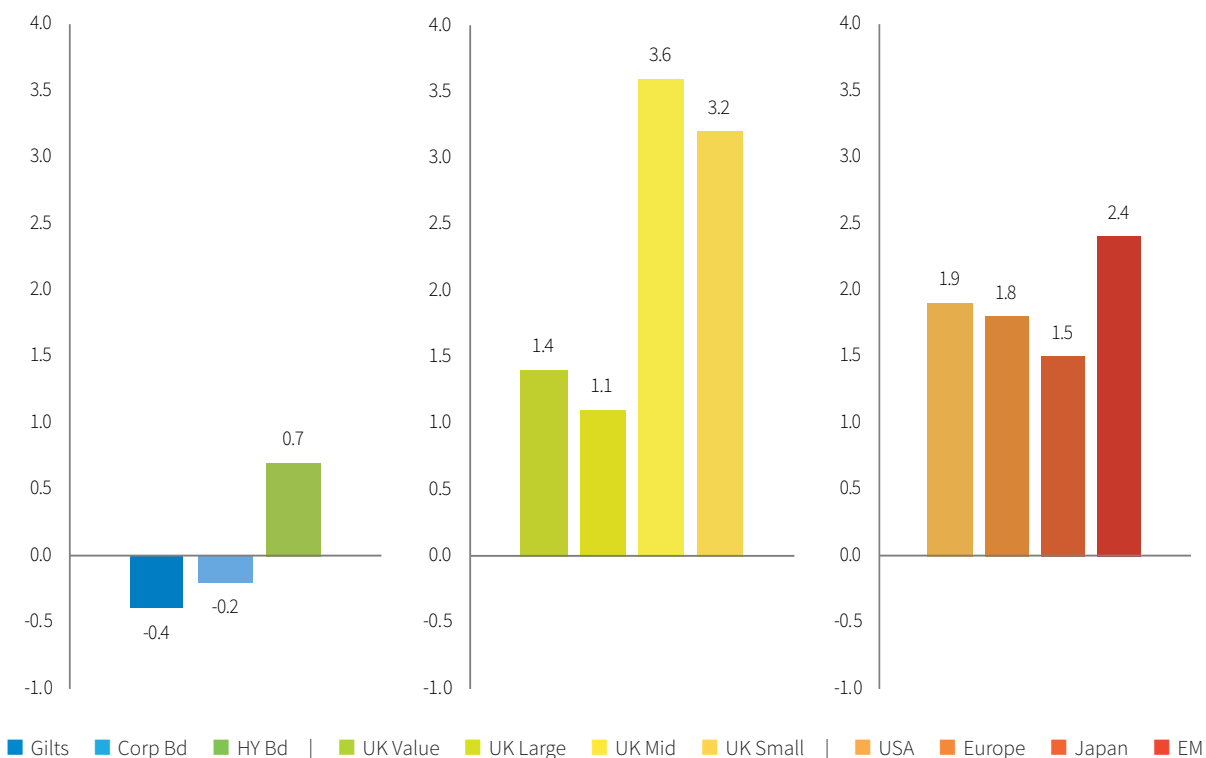
Eurostat estimates the average rate of unemployment across the eurozone at something like 7.9%. That's the lowest rate since October 2008; good news, of course, though youth unemployment remains uncomfortably high at 16.9%.

As usual, the average hides a lot of variation across the 19 monetary union members. Not surprisingly, the highest rates of joblessness can be found in Greece and Spain at 18.6% and 14.7%. The lowest rates are found in the Czech Republic and Germany where rates are as low as 1.9% and 3.3% respectively.



Last Week

In Markets



Other Developments

UK Parliamentary Vote and Economic Output

Gosh, Brexit is getting exciting isn't it.

It's not impossible for Theresa May to somehow scrape her deal through parliament on Tuesday. If she does, we could see the pound soar and UK based mid and small-cap equities skyrocket.

Of course, it seems more likely that her laudable efforts will fail. And the zombie apocalypse will be upon us. At least that's what you'd be forgiven for thinking.

Meanwhile, the Office for National Statistics reports growth in UK gross domestic production at 0.2% for November. 0.2% isn't what you might call a blistering pace, but it's much better than the 0.1% rate that some were predicting and, in any case, represents a significant improvement on 0.0% in September and a 0.1% increase in October.

In the event, it was the service sector that provided the oomph, assisted by that Black Friday nonsense it seems.

Lord (Peter) Hennessy says British politics will this week enter “a multiple crisis” - over Brexit, the constitution, the party system, and voters’ faith in politics in general. “All of that adds up to a crisis with a capital C”. Cheery.

Tom Newton Dunn, Political Editor of the Sun
13 January 2019

This Week

Monday

China trade

Eurozone industrial production

India inflation

Tuesday

Germany GDP

Eurozone trade

US NY Empire State manufacturing index

UK parliamentary vote on May Brexit deal

Wednesday

Germany inflation

UK inflation

US crude oil stocks

Australia consumer confidence

Thursday

Eurozone construction output

Eurozone inflation

Japan inflation

OPEC monthly report

Friday








Japan industrial production

UK retail sales

Russia trade

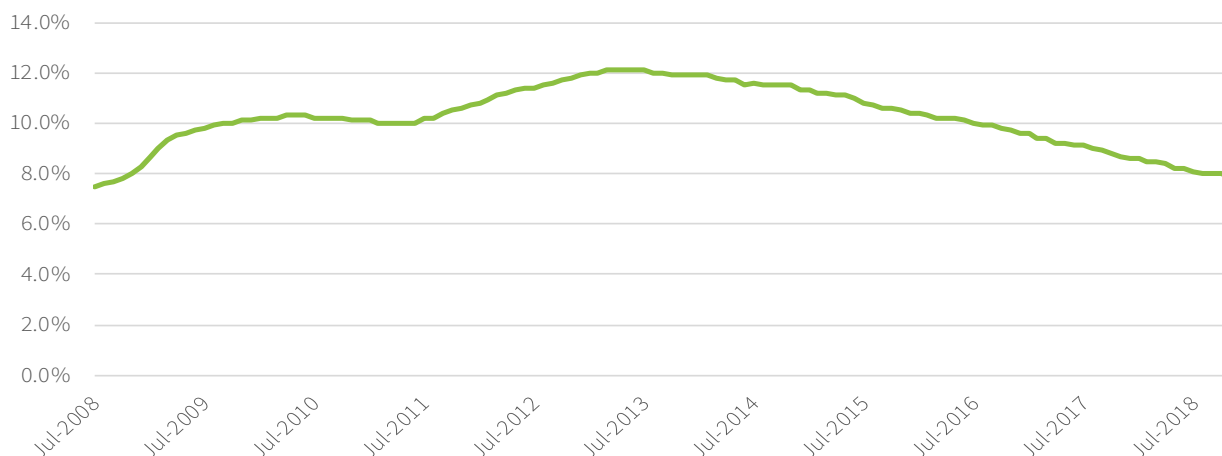
US industrial production

Market Dashboard

	Bank Base Rate	- 0.75%
	Inflation (Y-o-Y)	- 2.3%
	Unemployment Rate	- 4.1%
	Wage Growth	- 3.3%
	House Prices	- £212,281
	3 Month Trade (£B)	▲ -7.9
	GDP (Y-o-Y)	- 1.5%

Market Data	
Equity Index Levels	
FTSE 100	▲ 6,918
S&P 500	▲ 2,596
DAX	▲ 10,887
Nikkei 225	▼ 20,360
Bond Yields	
10 year UK Gilt	▲ 1.20
10 year US Treasury	▲ 2.70
10 year German Bund	▲ 0.24
10 year Japanese GB	▼ 0.01
Commodity Prices (\$)	
Brent Crude	▲ 60.8
Gold Bullion (per t oz)	▲ 1,288

Eurozone unemployment rate



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