

BREXIT NEWS

It's been a question on people's minds for the last six months, will the UK leave the EU with or without a deal? Theresa May has wanted to keep the option to ultimately force through a deal open, but this looks increasingly challenged as a number of senior politicians attempt to force her hand through resigning. This is a risky move as Parliament quite clearly has confirmed it wants a deal in place following the passing of the Spellman amendments at the end of January. This is a non-binding agreement to take a no deal off the table. Today, Theresa May's deal will come under fresh scrutiny, with Parliament due to debate and vote on a series of minor amendments. The Government has put forward a so-called neutral motion that simply backs Commons' view expressed last month - seek alternatives to the Irish "backstop" and rule out a no-deal Brexit. However, a much more important date for the calendar is 27 February, when MPs will have a chance to vote again on key amendments.

GERMANY NARROWLY ESCAPES TECHNICAL RECESSION

German preliminary fourth-quarter GDP growth data point to the fact that Germany narrowly escaped a technical recession. Quarter-on-quarter, fourth-quarter growth was nil, unless there is a negative revision later. Moreover, the first look at the data also shows that if it wasn't for government spending, the figure might have been negative. Now, Germany has a lot of fire power if it wants to spend its way out of this sluggish growth phase. The thrift seen before and the build-up budget surplus could be used in a Keynesian way. And it has all the right reasons to do so. Infrastructure spending is needed according to most research documents but so is investment in education and R&D.

And just perhaps the bad news out of China regarding growth might start to dissipate. This morning, the trade data were better than expected. The big drop in exports and imports in January didn't happen. Exports especially were more buoyant. But the lunar holiday and the threat of a no-deal regarding US-China discussions might have played a role here as exporters rushed to ship their goods. But, if this data marks the end of the trade slump for China, then trade-dependent Europe could possibly breathe a sigh of relief.

Obviously, there are no guarantees and the political news from Spain, for instance, will not help confidence there. The question whether Europe can recoup some of its underperformance ahead of the 26 May elections remains unanswered. Thus, we can only hope that EU countries with budgetary leeway like Germany start to underpin domestic growth by spurring infrastructure works and boosting consumption. Keeping the same degree of austerity would be totally illogical with growth being this weak.

MARKET REVIEW

EUROPE - European equity indices closed mostly higher Wednesday. In European sectors, the Basic Resources space got a boost from the constructive US-China headlines.

The big development was the Spanish budget vote, which was defeated, and as a result, has paved the way for a snap election. A few dates have been floated, with 28 April seen as the most likely option.

Earlier, data showed eurozone industrial production experienced a marked fall in December. This fits in with recent discussions that Europe increasingly looks to be biggest threat to global growth, with softer demand across the region. In central bank news, the Riksbank cautiously delivered a hawkish statement as it kept policies on hold.

USA - US equities were higher in Wednesday trading. Energy led the market while communication services and utilities were the only sectors lower. Treasuries were weaker with some curve flattening. The dollar was stronger on the major crosses after a snap in its recent rally. Oil was higher, with WTI settling up 1.5% despite a larger-than-expected US crude inventory build.

The market continued to take comfort from signs of progress in US-China trade negotiations. The government-shutdown drama continued to limp toward resolution, with President Trump signaling he is likely to sign. Recent Fed speak reinforced policymakers' "patience" mantra, and inflation data remained flat, despite being depressed by energy.

Activision Blizzard Inc revenue missed, but attention was focused on its growth initiatives and buyback. Hilton Worldwide Holdings Inc. was helped by better international results and franchise fees. TripAdvisor Inc.'s weaker guidance contrasted with elevated expectations.

ASIA - Asian markets were trading mixed to lower Thursday, having edged higher following reports the US is mulling a 60-day extension of the China tariff hike deadline. Highly anticipated Chinese trade data revealed exports unexpectedly swung back to growth last month, while the pace of import contraction was milder-than-expected. Trade activity appeared to moderate as companies found some reprieve from the resumption of trade talks in early January.

The Nikkei was flattish while in-line Japanese GDP growth showed a domestic demand rebound partially offset by an ongoing drag from external demand.

INDICES TABLE

FEBRUARY 14, 2019

EQUITIES

STOCK MARKETS	Price	Performances Evolution (%)			
		1 day	since 01/01/2019	since 01/01/2019	2018
		in Loc Ccy	in Loc Ccy	in EUR	in EUR
MSCI World	2,052.76	0.37%	8.96%	10.35%	-5.92%
MSCI Europe	123.36	0.59%	8.02%	8.02%	-13.10%
MSCI EMU	115.58	0.40%	7.32%	7.32%	-14.70%
MSCI Belgium	1,016.63	0.80%	11.12%	11.12%	-25.01%
MSCI Netherlands	142.37	0.34%	11.13%	11.13%	-10.85%
MSCI France	1,834.28	0.42%	7.05%	7.05%	-10.32%
MSCI Germany	890.96	0.32%	5.59%	5.59%	-20.03%
MSCI United Kingdom	2,077.30	0.80%	6.72%	9.32%	-13.59%
MSCI Spain	866.08	-0.09%	4.87%	4.87%	-14.17%
MSCI Italy	676.19	0.92%	8.69%	8.69%	-15.97%
MSCI Switzerland	1,222.26	0.34%	8.90%	7.92%	-6.67%
MSCI USA	2,624.50	0.29%	10.11%	11.51%	-1.60%
MSCI Japan	951.01	1.12%	6.47%	6.69%	-10.23%
MSCI Emerging Markets	57,262.89	0.09%	7.18%	9.25%	-12.43%
MSCI Hong Kong	17,412.78	1.45%	11.73%	12.91%	-5.98%
MSCI China	80.49	1.01%	13.36%	14.64%	-16.42%
MSCI Brazil	2,190.07	-0.85%	12.66%	14.10%	0.94%

SECTORS (MSCI EUROPE)

Figures at 13/02/2019

	Performances Evolution (%)		
	1 day	since 01/01/2019	2018
Consumer Staples	0.83%	8.58%	-11.25%
Consumer Discretionary	0.88%	10.51%	-16.27%
Energy	0.65%	9.81%	-4.89%
Financials	0.47%	6.95%	-22.07%
Health Care	0.05%	6.56%	-2.93%
Industrials	0.76%	9.05%	-14.93%
Information Technologies	1.05%	11.24%	-7.86%
Materials	1.18%	9.98%	-16.36%
Real Estate	-0.52%	10.23%	-17.29%
Telecom Services	0.36%	-1.98%	-13.66%
Utilities	-0.23%	7.79%	-0.82%

CURRENCIES

	Price	Currencies Evolution vs EUR (%)		
		1 day	since 01/01/2019	2018
EUR - USD	1.1288	0.11%	1.28%	5.04%
EUR - GBP	0.8762	0.09%	2.44%	-1.10%
EUR - JPY	125.1558	-0.22%	0.21%	7.85%
EUR - CHF	1.1372	0.09%	-0.90%	3.84%
EUR - NOK	9.7548	0.50%	1.48%	-0.78%

GOV. BONDS (JP MORGAN GOV. BOND INDEX)

	Performances Evolution (%)		
	1 day	since 01/01/2019	2018
1 - 3 Y	0.02%	-0.07%	-0.12%
3 - 5 Y	0.06%	0.18%	-0.05%
5 - 7 Y	0.11%	0.65%	0.46%
7 - 10 Y	0.12%	1.11%	1.42%
> 10 Y	0.26%	1.51%	2.38%

CORPORATE BONDS (JP MORGAN CREDIT INDEX)

	Performances Evolution (%)		
	1 day	since 01/01/2019	2018
AAA	-0.03%	0.64%	0.87%
AA	-0.02%	0.89%	-1.27%
A	0.02%	1.02%	1.69%
BBB	0.04%	1.45%	3.35%

COMMODITIES

	Price	Performances Evolution (%)		
		1 day	since 01/01/2019	2018
		in USD	in USD	in USD
Gold	1,305.90	-0.34%	1.86%	-1.57%
Crude Oil (Brent)	63.61	1.91%	18.23%	-19.55%

Source : FactSet

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