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Swiss Spat With EU Prompts London Curbs on Country's Shares

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Comments of the Day

26 June 2019

Video commentary for June 25th 2019

Eoin Treacy's view
A link to today's video commentary is posted in the Subscriber's Area.

Some of the topics discussed include: Powell reiterates intention to cut rates, stocks easy, dollar steadies, gold pauses, Treasuries rally

Continues in the Subscriber's Area

Fed Lowers Long-Run U.S. Rate Outlook as Growth Outlook Dims

This article by Steve Matthews for Bloomberg may be of interest to subscribers. Here is a section:

"This is really important," said Torsten Slok, chief economist at Deutsche Bank Securities, who expects a rate cut in July. "For many years, the Fed has been arguing that monetary policy was easy and accommodative and supporting growth and inflation. After a decade of easy monetary policy, the Fed has decided that policy is no longer stimulative."

Reasons listed for the lower neutral rate include ongoing fallout from the financial crisis, weaker productivity, continued slackness in the labor market and an aging population, which when combined leave the economy structurally weaker and so more vulnerable to rate hikes.

The upshot is the Fed may have to lower rates if it wants to boost expansion to offset global headwinds, including slow global growth and trade disruptions from President Donald Trump's tariff battles.

Powell will give his view of policy in a speech on Tuesday to the Council on Foreign Relations in New York.

Eoin Treacy's view

The trend of the Fed Funds Rate is downwards. There is a clear succession of lower major rally highs since the early 1980s and the failure of the Treasury yield to hold the move above 3% late last year suggests another lower high is now in place. If we accept the conclusion the peak of the interest cycle has now passed the next big question is just how low can rates go?

Continues in the Subscriber's Area

Swiss Spat With EU Prompts London Curbs on Country's Shares

This article by Alexander Weber, Silla Brush and Viren Vaghela for Bloomberg may be of interest to subscribers. Here is a section:

The political agreement at the heart of the issue -- which seeks to replace treaties on everything from agriculture to immigration and civil aviation -- was finalized in November last year. It hasn't been endorsed by the Swiss government because it's unpopular at home, in part because of fears it'll erode high local wages.

Earlier this month, while saying it was still "broadly positive," Switzerland asked for some clarifications." That was seen in Brussels as an attempt by the country to renegotiate the accord, which the EU has ruled out.

The commission has also complained about "foot-dragging" by the government in Bern, and unless the commission decides otherwise, regulatory equivalence of the Swiss stock exchange will expire at the end of the week.

Eoin Treacy's view

The UK is not the only country which has had difficulty getting a deal negotiated with the EU approved at home. The interesting point about this process, from an outsider's perspective, is the similarity in the EU's response to both Switzerland and the UK. The refusal to reopen negotiations, the threat of disavowing regulatory equivalence and imposition of deadlines are being used as tactics in both sets of negotiations.

Continues in the Subscriber's Area

A Dark Alley in China's Credit Market Suddenly Getting Rough

This article from Bloomberg may be of interest to subscribers. Here is a section:

For firms that obtained funding via unorthodox methods, conditions may become particularly challenging. One of those practices is known as structured issuance, where a company will transfer cash to an asset manager to buy a slice of the bonds the company is itself selling. The manoeuvre helps give the appearance of greater demand for its securities and stronger ability to obtain funding. What could make the practice untenable is if asset managers can no longer use those securities held in custody as collateral for repos.

"Since some repo transactions have defaulted recently, it is unclear whether companies can continue to borrow money from the structured issuance method, said Meng Xiangjuan, chief fixed-income analyst at SWS Research Co. in Shanghai. "If it stops, some issuers will certainly face difficulties operating their business normally, and their debt-repayment pressure will rise," she said.

Eoin Treacy's view

The main headline today was the fact some Chinese banks have been breaking the sanction prohibitions on North Korea. However, the fact it is possible for companies to partially fund their own bond issuance by promising to buy it themselves with the funds received is garnering a lot less interest.

Continues in the Subscriber's Area

Eoin's personal portfolio from May 15th

Eoin Treacy's view
Details of this trade are posted in the Subscriber's Area.

Continues in the Subscriber's Area

2019: The 50th year of The Chart Seminar

Eoin Treacy's view
There will be a memorial concert for David at the Royal Festival Hall on October 5th. It looks like we will have a room at the Royal Festival Hall for an hour before the concert for a memorial. Wine and canapes will be served. Afterward we will retire to the Benefactor's Lounge where Tim Walker, Chairman of the LPO will dedicate the concert in David's memory. The concert will be from 7:30 to 10pm. If anyone would like to attend the concert in addition to the memorial there will be a box to tick on the booking form which I will provide as soon as I have it.

Since this is the 50th year of The Chart Seminar we will be conducting the event on October 3rd and 4th to coincide with the memorial on the Saturday.

In the meantime, if you have any questions, would like to attend, or have a suggestion for another venue please feel to reach out to Sarah at sarah@fullertreacymoney.com.

The full rate for The Chart Seminar is £1799 + VAT. (Please note US, Australian and Asian delegates, as non-EU residents are not liable for VAT). Annual subscribers are offered a discounted rate of £850. Anyone booking more than one place can also avail of the £850 rate for the second and subsequent delegates.

Continues in the Subscriber's Area