

In this week, the MSCI all countries **world** equity index increased at historic high (12/12: 553.7), as the US-China “phase-one” trade deal is supporting market sentiment. According to the press, US may cut existing tariff rates on Chinese imports by 50% and China will increase buying of US agricultural goods. Boris Johnson won the general election in the **UK**, securing overwhelming majority. **GBP/USD** increased at high (13/12: \$1.3514) since May 2018. Resistance is at \$1.3570, at \$1.3670 and at the area of \$1.3800, while support is at \$1.3160. **EUR/GBP** dropped at a low (£0,8277) since July 2016, probably heading towards pre – Brexit referendum (6/2016) area. Support is at £0,8130 and at £0,7900 (Fibonacci retracement 61.8%: £0,6936-£0,9415), while resistance is at £0,8460. **EUR/USD** reached four-month high at \$1.1200. Resistance is at \$1.1250-90, while support is at \$1.1100. US 10-year bond yield posted one-month high (1.946%), but remains below the 200-day average (2.04%).

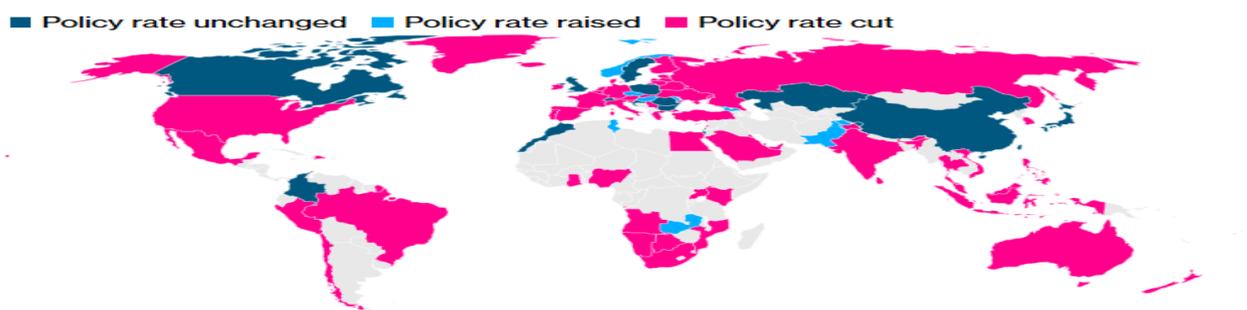
The Federal Reserve maintained its benchmark rate unchanged at 1.50%-1.75%. The Fed currently forecasts (“dot plot projections”) no change of policy rate in 2020, following three rate cuts in 2019. It expects GDP growth of 2% in 2020, unemployment rate of 3.5% and inflation of 1.9%. According to the fed funds futures market, one rate cut by the Fed in 2020 is expected. At the first FOMC meeting of each year, the Fed publishes a one-page note, which states the “longer-run goals and monetary policy strategy”. It cannot be excluded that the Fed will revise (29/1/2020) one of the two targets of its dual mandate, setting average inflation targeting of 2% during the business cycle versus target of 2%. Average inflation targeting could be translated into “low rates for longer”, as it would end up into tolerating inflation rise above 2% for some time. It is noted that the average inflation rate (PCE) since the current expansion started (June 2009) has been low at 1.5% area. Fed’s President said (31/10) that “ is thinking ways that we can make that symmetric 2% inflation objective more credible by achieving symmetric 2% inflation”.

The **ECB** maintained its benchmark refinancing rate at 0% and the deposit rate at -0.5% (12/12). It projects Eurozone economic growth and inflation of 1.1% in 2020. The ECB will conduct review of its policy strategy during 2020, focusing on the mid-term objectives. The framework for the review has not yet been agreed.

Overall, the main central banks continue implementing expansionary monetary policy, which is considered supportive for market sentiment. During 2019, various central banks have cut rates.

Year of Cuts

Central banks around the world lowered interest rates this year



Source: Bloomberg
 Note: Color shows net change over the year

The week ahead:

Eurozone PMI manufacturing and services indices (16/12) may have marginally risen in December. **German** IFO business climate index (18/12) is also expected higher. The Bank of **England** and the Bank of **Japan** will most probably keep their monetary policy unchanged next week (19/12). **US** conference board leading indicators for November (19/12) will be in focus, as the index has dropped on monthly basis in the previous three months.

The current environment of moderate growth, mild inflation, favourable financial conditions, remains favourable for investors with balanced exposure.

Quote of the Week:

The President of the ECB (C. Lagarde) said (12/12): “There are some initial signs of stabilization in the growth slowdown and of mild increase in underlying inflation. The risks surrounding the euro-area growth outlook, related to geopolitical factors, rising protectionism and vulnerabilities in emerging markets, remain tilted to the downside, but have become somewhat less pronounced.”

Global Markets in Charts

Boris Johnson secured large majority in the UK elections.

UK results After 649 of 650 seats

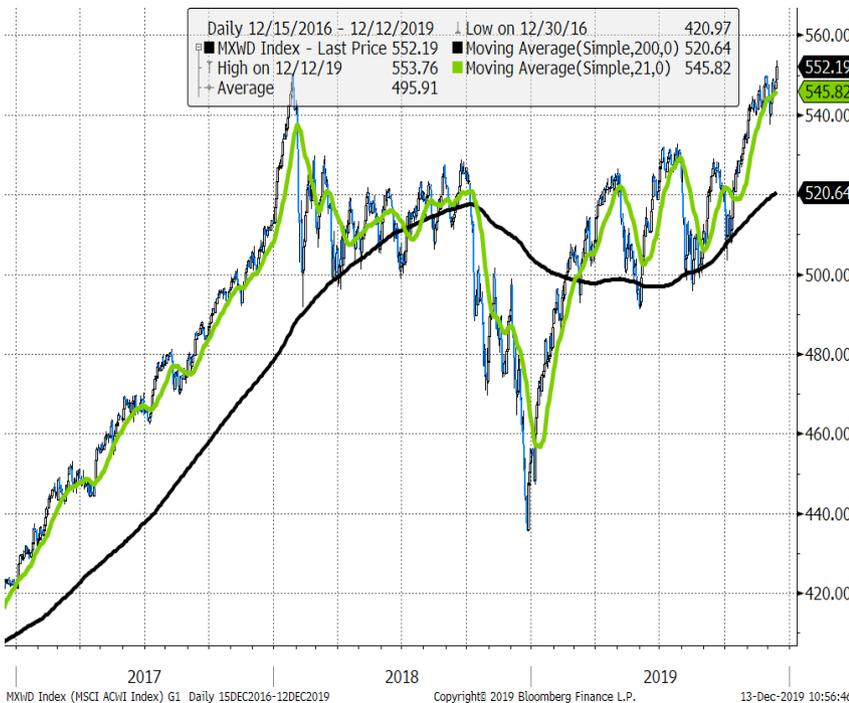
Party	Seats	Seat change	Votes	Vote share %	Vote share change
Conservative	364	+47	13,041,088	43.6	+1.2
Labour	203	-59	10,292,354	32.2	-7.8
Scottish National Party	48	+13	1,242,380	3.9	+0.8
Liberal Democrat	11	-1	3,075,342	11.5	+4.2

The result of UK elections has supported market sentiment, as stable government will be formed and the Brexit issue will be clarified. EU-UK deal for orderly Brexit will be voted in the UK parliament, probably by the end of 2019.

The withdrawal deal includes transition period from the end of January until December 2020.

Source: BBC

The MSCI All countries world index posted historic high (12/12: 553.7), as market sentiment was supported by various developments, including the phase-one of US-China trade deal, the outcome of UK elections, low yields and recent US economic figures.



The total return of the MSCI all countries world index stands at 24.2% in 2019. The MSCI developed world index has total return of 25.7% and the MSCI emerging index has risen by 13.8%. The developed world index has already risen at historic high.

The MSCI emerging index is at one-month high (12/12: 1,070.7, 200-day average: 1,033), but remains considerably below the level of January 2018 (29/1/18: 1,279). Key resistance for the index is at 1,100 (174/19 high), at 1,122 (threshold for 20% increase from the low of October 29, 2018: 935) and at 1,155 (7/6/18 high).

Market sentiment is currently supportive for the main equity indices.

Source: Bloomberg

Global Markets Minesweeper
Event Risk Calendar, 16 - 20 December, 2019

Monday 16/12						
Date Time	Country	Event	Period	Survey	Prior	
16/12 02:30	JN	Jibun Bank Japan PMI Mfg	Dec P	--	48.9	
16/12 03:30	CH	New Home Prices (MoM)	Nov	--	0.50%	
16/12 04:00	CH	Industrial Production (YoY)	Nov	5.00%	4.70%	
16/12 04:00	CH	Retail Sales (YoY)	Nov	7.60%	7.20%	
16/12 10:30	GE	Germany Manufacturing PMI	Dec P	44.7	44.1	
16/12 10:30	GE	Germany Services PMI	Dec P	52	51.7	
16/12 11:00	EC	Markit Eurozone Manufacturing PMI	Dec P	47.3	46.9	
16/12 11:00	EC	Markit Eurozone Services PMI	Dec P	52	51.9	
16/12 11:30	UK	Markit UK PMI Manufacturing SA	Dec P	49.1	48.9	
16/12 11:30	UK	Markit/CIPS UK Services PMI	Dec P	49.5	49.3	
16/12 15:30	US	Empire Manufacturing	Dec	5	2.9	
16/12 16:45	US	Markit US Manufacturing PMI	Dec P	52.6	52.6	
16/12 17:00	US	NAHB Housing Market Index	Dec	71	70	
16/12 23:00	US	Net Long-term TIC Flows	Oct	--	\$49.5b	
Tuesday 17/12						
Date Time	Country	Event	Period	Survey	Prior	
17/12 11:30	UK	Jobless Claims Change	Nov	--	33.0k	
17/12 11:30	UK	Weekly Earnings ex Bonus 3M/(YoY)	Oct	3.40%	3.60%	
17/12 11:30	UK	ILO Unemployment Rate 3Mths	Oct	3.90%	3.80%	
17/12 12:00	EC	Trade Balance SA (Euro)	Oct	--	18.3b	
17/12 13:00	UK	CBI Trends Total Orders	Dec	-25	-26	
17/12 15:30	US	Housing Starts (MoM)	Nov	2.00%	3.80%	
17/12 15:30	US	Building Permits (MoM)	Nov	-3.80%	5.00%	
17/12 16:15	US	Industrial Production (MoM)	Nov	0.80%	-0.80%	
Eco Event	US	Dallas Fed President Robert Kaplan speaks (15:00)				
	US	New York Fed President John Williams briefs reporters (19:30)				
Wednesday 18/12						
Date Time	Country	Event	Period	Survey	Prior	
18/12 01:50	JN	Trade Balance Adjusted	Nov	-¥57.0b	-¥34.7b	
18/12 11:00	GE	IFO Business Climate	Dec	95.5	95	
18/12 11:00	GE	IFO Expectations	Dec	93	92.1	
18/12 11:30	UK	CPI (YoY)	Nov	1.50%	1.50%	
18/12 11:30	UK	CPI Core (YoY)	Nov	1.60%	1.70%	
18/12 12:00	EC	CPI (YoY)	Nov F	1.00%	0.70%	
18/12 12:00	EC	CPI Core (YoY)	Nov F	1.30%	1.30%	

Date Time	Country	Event	Period	Survey	Prior	
Eco Event	EC	ECB President C. Lagarde speaks (12:15)				
Thursday 19/12						
19/12 00:00	JN	BOJ Policy Balance Rate	Dec-19	-0.10%	-0.10%	🌧️*
19/12 11:30	UK	Retail Sales Inc Auto Fuel (MoM)	Nov	0.50%	-0.10%	🌧️*
19/12 11:30	UK	Retail Sales Inc Auto Fuel (YoY)	Nov	2.60%	3.10%	
19/12 13:00	UK	CBI Retailing Reported Sales	Dec	--	-3	
19/12 14:00	UK	Bank of England Bank Rate	Dec-19	0.75%	0.75%	🌧️*
19/12 15:30	US	Initial Jobless Claims	Dec-14	--	252k	
19/12 17:00	US	Leading Index (MoM)	Nov	0.10%	-0.10%	🌧️*
19/12 17:00	US	Existing Home Sales (MoM)	Nov	-0.20%	1.90%	
Eco Event	UK	BOE minutes will be published				🌧️*
Friday 20/12						
20/12 01:30	JN	Natl CPI Ex Fresh Food (YoY)	Nov	0.50%	0.40%	
20/12 09:00	GE	GfK Consumer Confidence	Jan	9.8	9.7	
20/12 11:30	UK	PSNB ex Banking Groups (GBP)	Nov	6.2b	11.2b	
20/12 11:30	UK	GDP (QoQ)	3Q F	0.30%	0.30%	🌧️*
20/12 11:30	UK	GDP (YoY)	3Q F	1.00%	1.00%	
20/12 15:30	US	GDP Annualized (QoQ)	3Q T	2.10%	2.10%	🌧️*
20/12 17:00	EC	Consumer Confidence	Dec A	-7.2	-7.2	🌧️*
20/12 17:00	US	Personal Spending (MoM)	Nov	0.40%	0.30%	
20/12 17:00	US	PCE Core Deflator (YoY)	Nov	1.50%	1.60%	🌧️*
20/12 17:00	US	U. of Mich. Sentiment	Dec F	99.2	99.2	
Eco Event	US	Possible government shutdown takes effect unless Congress approves spending				

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