

THERESA MAY TO GIVE MP'S THE CHANCE TO EXTEND ARTICLE 50

This week we witnessed a major change in direction from both the government and opposition for their respective Brexit policies. Theresa May walked back yet another commitment and conceded that there should be an extension to article 50. This has been inevitable for some time as, quite apart from all the clowning about in parliament, there is actually a lot of legislation to be passed into law before leaving, regardless of the terms. We had already passed the point where that could have been accomplished so it was just a matter of when the Prime Minister would acknowledge that reality. While this move has garnered a lot of attention it hasn't changed anything, there will still be nothing the parties agree on at the end of the period, except the option to delay will no longer be available.

Elsewhere the Labour leadership have backed a second referendum, but at the time of writing the exact policy was to put any deal agreed by parliament back to a vote. As there isn't a deal parliament can agree on the stance is meaningless, much like the term Labour leadership.

THE MARKETS THIS WEEK

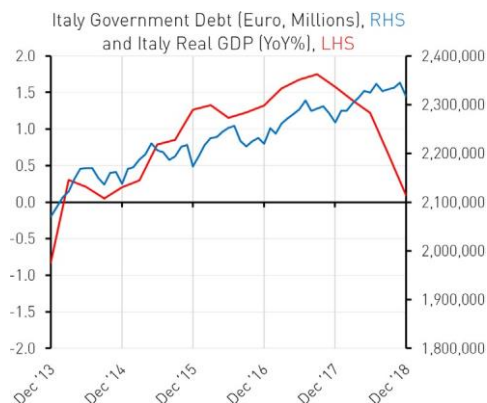
FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-0.84%	+0.35%	+0.83%	+1.61%	-0.01%	+0.08%	+0.15%	-1.04%	-1.63%	-6.93%	+1.43%



EUROZONE: DOES ITALY POSE A THREAT TO THE EU?

This week the European Commission (EC) warned that Italy is facing “economic imbalances” with government policies exacerbating the issue to the point that it poses a threat to other member states. Last year saw the commission and Italy at loggerheads over budget plans with the latter wanting to pump more money into a stagnating economy while the former would prefer the nation focusing on cutting rampant debt. Government debt now stands at €2.3tn easily dwarfing anything the Eurozone bailout fund could handle in the event of a crisis.

A compromise was made last Christmas to reduce the structural deficit from 2.4 to 2.0 per cent of GDP. However, it was based on growth forecasted at 1.2 per cent: this month the commission revised GDP down to 0.2 per cent for 2019. While Italian banks have made good headway in reducing the number of bad loans this year, maintaining this will be a challenge in a slowing economy. If an Italian selloff was to occur, France would be heavily impacted as its credit exposure is five times greater than the second biggest holder of Italian credit, Germany.

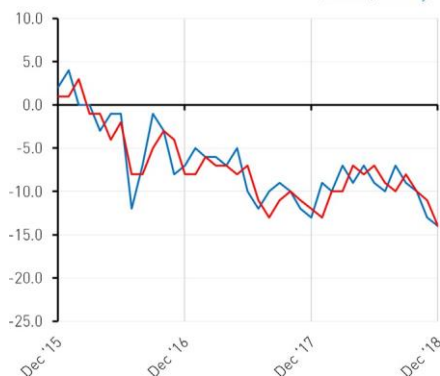


UK: CAR EXPORTS SLUMP FOR EIGHTH CONSECUTIVE MONTH

Tighter diesel emissions laws, Brexit, and a slowdown in Chinese demand all played a factor in UK car production dropping for the eighth consecutive month. January's figures were particularly sharp with output bound for China plummeting by 72 per cent compared to last year. Exports to Europe, its core market, were also down 20 per cent. Additionally engine manufacturing, a UK focused part of the car manufacturing supply chain, was down 9.5 per cent. This is due to domestic orders falling as companies wait to see how the article 50 deadline plays out next month.

Elsewhere, results for the UK property market were subdued this week. House prices fell slightly by 0.1 per cent for the month of February and annual growth remained sluggish at 0.4 per cent. One rare positive is that home ownership increased by 1.1 per cent driven by those aged 35-44 years old. Having said that, the percentage of home ownership for that age bracket (57 per cent) is a long way off its peak before the great recession (73 per cent).

GfK Consumer Confidence Index (Latest, Survey)



COMMODITIES: BARRICK GOLD LAUNCHES HOSTILE TAKEOVER BID



Barrick Gold launched a hostile takeover bid this week offering \$17.8bn to acquire Newmont mining corp. The offer would effectively create the world's largest gold mining company. Newmont remain uninterested, stating the bid was driven by ego rather than logic. A merger was almost completed between the two in 2014 but the deal fell apart due to personality clashes between senior executives.

Gold prices have been on an upward trend since the October selloff last year as investors dumped riskier assets in favour of gold and other safe-havens. Similarly, mergers and acquisitions (M&A) have had an uptick as companies look to combine resources to deal with depleting gold production figures last quarter. Barrick kickstarted this by merging with Randgold late last year and Newmont this week has been given the greenlight to complete its own tie up with Goldcorp.

Gold Spot Price and Barrick Gold (Normalised, GBP)

