



### **Prime Minister May set to finalise Brexit Plans**

This week the Brexit saga rolled on. After the high drama of last week when everyone was arguing over when, not if, Theresa May would be replaced; we find ourselves now with the same Prime Minister, same deal and the same sense of inevitability. While the political media still speculate over parliamentary vote tallies and back room plots, it turns out May is a far canny operator than many give her credit for. She appeared to recognise that the hard line Brexiteers in her own party were all bluster and is now betting that the voting public will accept any deal that means they don't have to hear the word Brexit again, which we think should get very short odds.

Elsewhere there was another European anti-climax, as the Italian government looks to have conceded to EU demands and decided to take another look at its budget plans. As seems sensible, all the major protagonists of the last few months have opted for a quiet Christmas and decided to put the theatrics aside to get their affairs in order. It is unlikely to last through January, but a welcome early present none the less.

### **Manufacturing: Nissan Boss Under Arrest and Stripped of Role**

The chairman of Nissan and CEO of Renault, Carlos Ghosn, was arrested this week on allegations of deliberately understating his salary and the personal misuse of company (Nissan) funds to buy luxury properties across the world. Shares in Renault tanked 8.4 per cent while Nissan's shares are at risk of supervision by the Tokyo stock exchange.

Nissan and Renault's almost two-decade long alliance has become increasingly lopsided over the last few years. Renault has a 43 per cent stake in Nissan whereas Nissan only holds 15 per cent in Renault even though Nissan contributes more in profit. Nissan also bought a 34 per cent stake in Mitsubishi in 2016 creating a three-way alliance.

Ghosn has been instrumental in keeping the alliance together. There were hopes that a merger between Renault and Nissan would create a stable group to compete with the likes of Toyota and Volkswagen but with Ghosn now stripped of the chairman role in Nissan, those dreams look to be firmly shelved.

### **Commodities: Oil Prices on the Slide**

In the months before October oil prices were on the rise as markets worried about the impact of the US placing sanctions on Iran and stepping up its beef with China. A few weeks later however and the oil price is now tumbling due to an oversupply issue.

The oil price has been on downward streak for the last six weeks touching \$62.50. One of the reasons for the oversupply is the US granting eight temporary waivers to the larger importers of Iranian oil, blunting the impact of sanctions. Another reason was Saudi Arabia's record increase in daily oil production this month.

The country typically plans its production level about four to five weeks in advance as customers submit their orders. It ramped up supply to meet an expected shortfall that has subsequently failed to materialise. It is estimated the nation needs oil to be above \$70 a barrel in order to balance its budget, so these output levels are unlikely to last.

### **Asia: Singapore Posts Sluggish Quarterly Growth Figures**

Singapore's economy reported sluggish year-on-year growth of 2.2 per cent in Q3 which represents a slower pace of growth from the 4.1 per cent increase in the previous quarter. This slowdown was mainly driven by a weakening manufacturing sector. Manufacturing growth was 3.5 per cent in Q3 down from 10.7 per cent in the previous quarter. Rising tensions from the trade war is also expected to impact the growth rate in 2019.

It wasn't all doom and gloom for the country, growth in the transportation and storage as well as the accommodation & food services sector picked up at a quicker pace at 2.1 per cent and 4.1 per cent respectively.

Elsewhere in Asia, Japan's consumer prices, excluding fresh food, rose one per cent in October from a year earlier woefully short of the BoJ's two per cent inflation target. With the prospect of lowered mobile phone charges for users and falling energy levels, reaching this inflation target is proving to be tricky for the country.