



### **Is this the end of the road for Theresa May?**

Last week we returned to two old favourites, Brexit and Trump. The Brexit deal is currently being debated in parliament, with a final vote on whether to take it scheduled for tomorrow. It has been a blood bath. On the opening day the government suffered three defeats and has almost surrendered control entirely. This pantomime of national humiliation shows no signs of ending either.

The deal is almost certainly going to be voted down and what happens next is unknown, but very likely includes some sort of delay or extension while we try to sort ourselves out. There are many predicting Theresa May will resign, but we're not so sure. If defeat and failure were all it takes, she'd be gone already.

Elsewhere Donald Trump completely exploded his own tweets about progress on a trade deal with China by simultaneously trying to arrest the most powerful woman in China and declaring himself the "Tariff Man" in renewed threats to escalate the trade war. An already jittery market collectively lost it and would have fared much worse had markets not closed for the funeral of President Bush.

### **Global: Stock Markets Slump as Yield Curve Inverts**

A perfect storm of President Trump's tweets and yield curve inversion helped spark a rout in US markets last week. Unsurprisingly the selloff spilled over to the European and Asian markets with DAX and the MSCI Asia Ex Japan down 1.1 per cent and 1.3 per cent respectively earlier in the week. A yield curve inversion happens when the return on short term bonds rise above the longer dated one, it is generally considered an indicator of an impending economic slowdown. The spread between the three-year and five-year US treasury bonds turned negative earlier last week.

President Trump met Chinese Premier Xi last week and promptly announced a truce between the two nations. He also declared that China has agreed to reduce tariffs on cars coming into China from the US. China has yet to confirm on the claim. Subsequent tweets from the president threatening further tariff hikes if a deal isn't agreed did little to boost investor sentiment. The recent arrest of the Huawei CFO in Canada, requested by the US, over a possible violation of sanctions against Iran leads to further concern that the 90-day truce won't be upheld.

## **EM: Credit Rating Agencies Downgrade Sri Lanka**

S&P and Fitch downgraded Sri Lanka's sovereign rating last week citing an uncertain policy outlook and refinancing risks as the reason for the downgrade from B+ to B. The country is effectively without leadership after the Prime Minister and cabinet were temporarily barred from official duties. Prime Minister Rajapaksa lost two no-confidence votes last month but continues to refuse to leave office.

Elsewhere, South Africa managed to climb out of its technical recession. The economy grew at an annualised rate of 2.2 per cent in the three months leading up to September.

However, the recovery could be short lived once the next quarterly set of results are published. State-owned energy company Eskom is struggling with rising maintenance costs and coal shortages. As a last resort, the company has been conducting daily rotational load shedding (planned blackouts). If at any point demand exceeds the supply, there is a real worry that the rolling blackouts could become permanent.

## **Oil: Qatar set to end long term OPEC Relationship**

Ahead of the latest OPEC meeting Qatar have announced that they will leave the organisation next month. The country will instead look to prioritise increasing its liquified natural gas exports from 77 to 110 million tons per year. Qatar is one of the largest exporters of LNG worldwide but a relative minnow in crude oil production in comparison to other members: it contributes less than two per cent of total OPEC oil output. Its departure however is very symbolic as the nation will become the first Middle Eastern country to leave the cartel.

Oil prices have continued to slide, just dipping below the \$60 mark earlier last week. This can be partly attributed to the uncertainty surrounding the outcome of the upcoming meeting between OPEC members. While its widely expected that supply cuts are to be announced, to what extent remains unclear. Saudi Arabia, one of the founding members of the cartel is under pressure from the US to not apply any cuts. The nation needs the backing of the US after the apparent state sanctioned murder of journalist Khashoggi.