



GLOBAL MACRO

TODAYS AIMS & OBJECTIVES

Global Macro

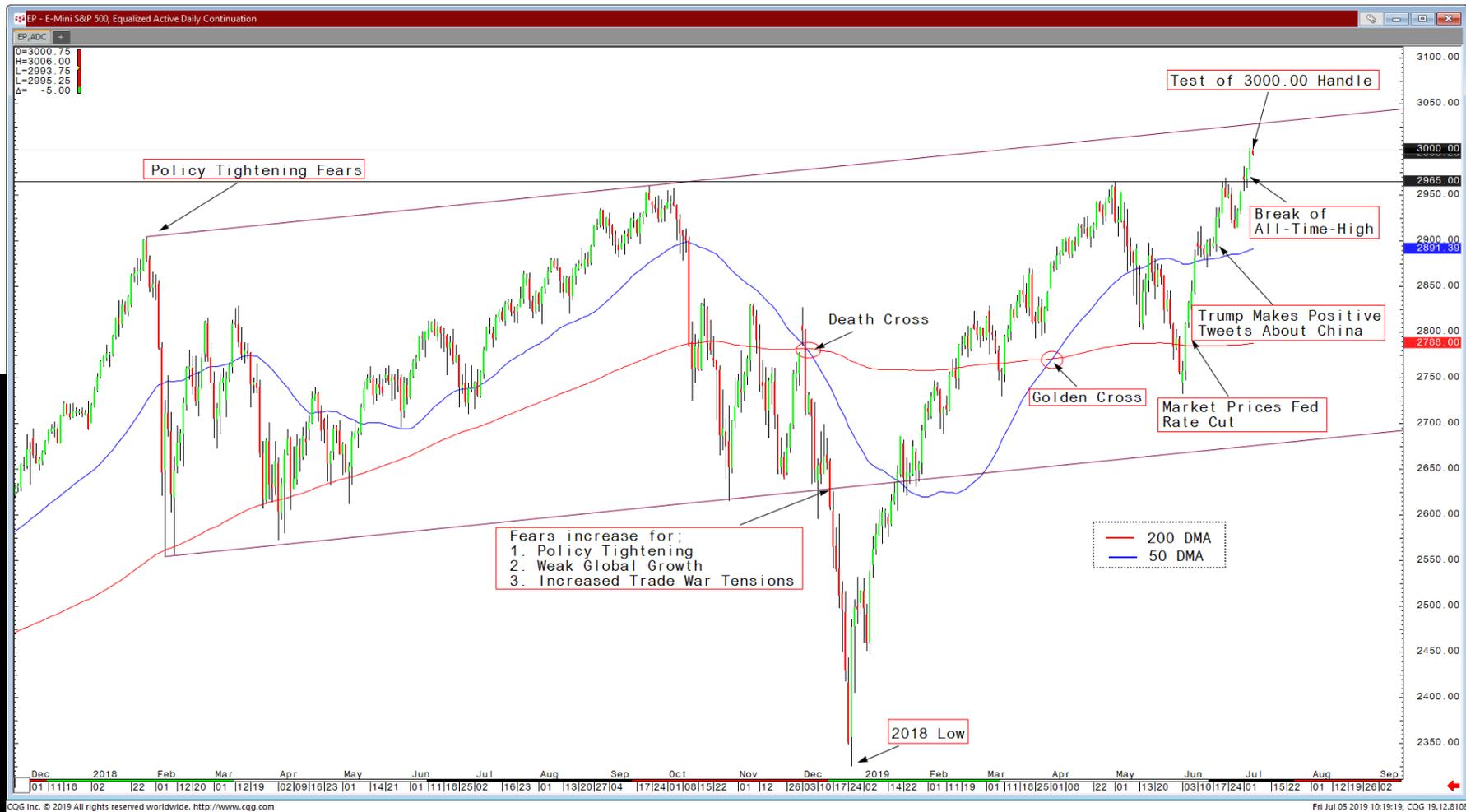
- Bring you up to speed with key macro and economic factors dominating today's global financial markets.
- To provide a good understanding of how different asset classes are impacted by these key macro and economic factors.
- To provide you will with practical skills in how to implement a macro view in your trading strategies.
- Kahoot quiz

BY THE END OF THE SESSION PARTICIPANTS WILL BE ABLE TO:

- Explain the key drivers of economic performance
- Understand what themes will be important to monitor in the trading period ahead
- Outline the tools of monetary & fiscal policy and assess the likely economic impact of the future policy outlook for the world's largest economies



US STOCKS: FROM PANIC TO RECORD HIGHS



TRADE WARS: THE JOURNEY SO FAR



U.S. Trade Deficit With China

The U.S. trade deficit with China was **\$419 billion** in 2018.

Total U.S. imports from China: **\$540 billion**



Largest U.S. Imports



\$77 billion in computers



\$70 billion in cell phones



\$54 billion in apparel and footwear

Total U.S. exports to China: **\$120 billion**



Largest U.S. Exports



\$16 billion in commercial aircraft



\$12 billion in soybeans



\$10 billion in autos

▲ M P L I F ▼

the balance



China owns **28%** of U.S. public debt to foreign countries.



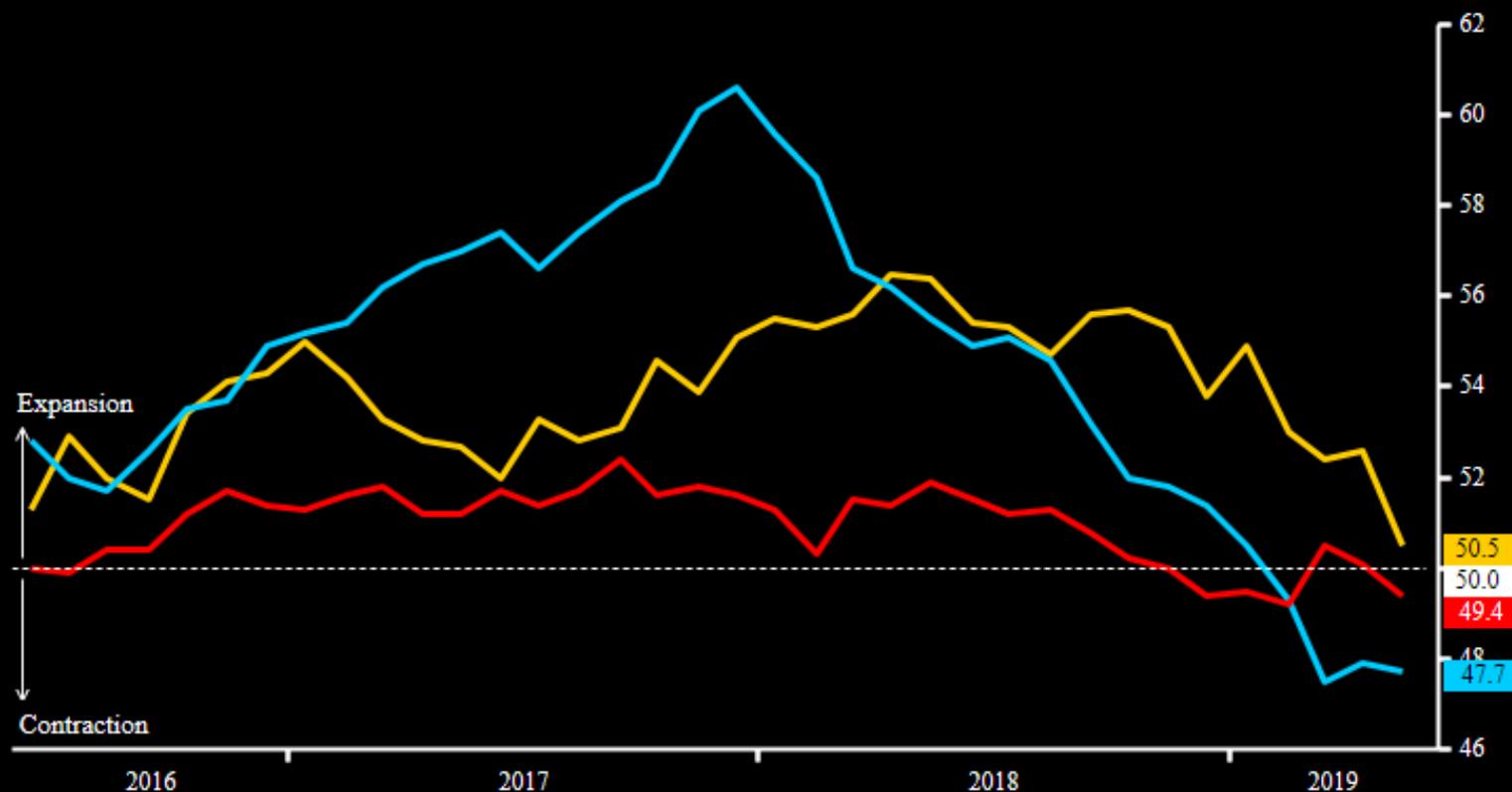
Global manufacturing PMIs

Only the United States remains in expansion territory (above the 50 level)

— Markit PMI - U.S.

— Markit PMI - Euro Zone

— NBS PMI - China ex HK and Macau

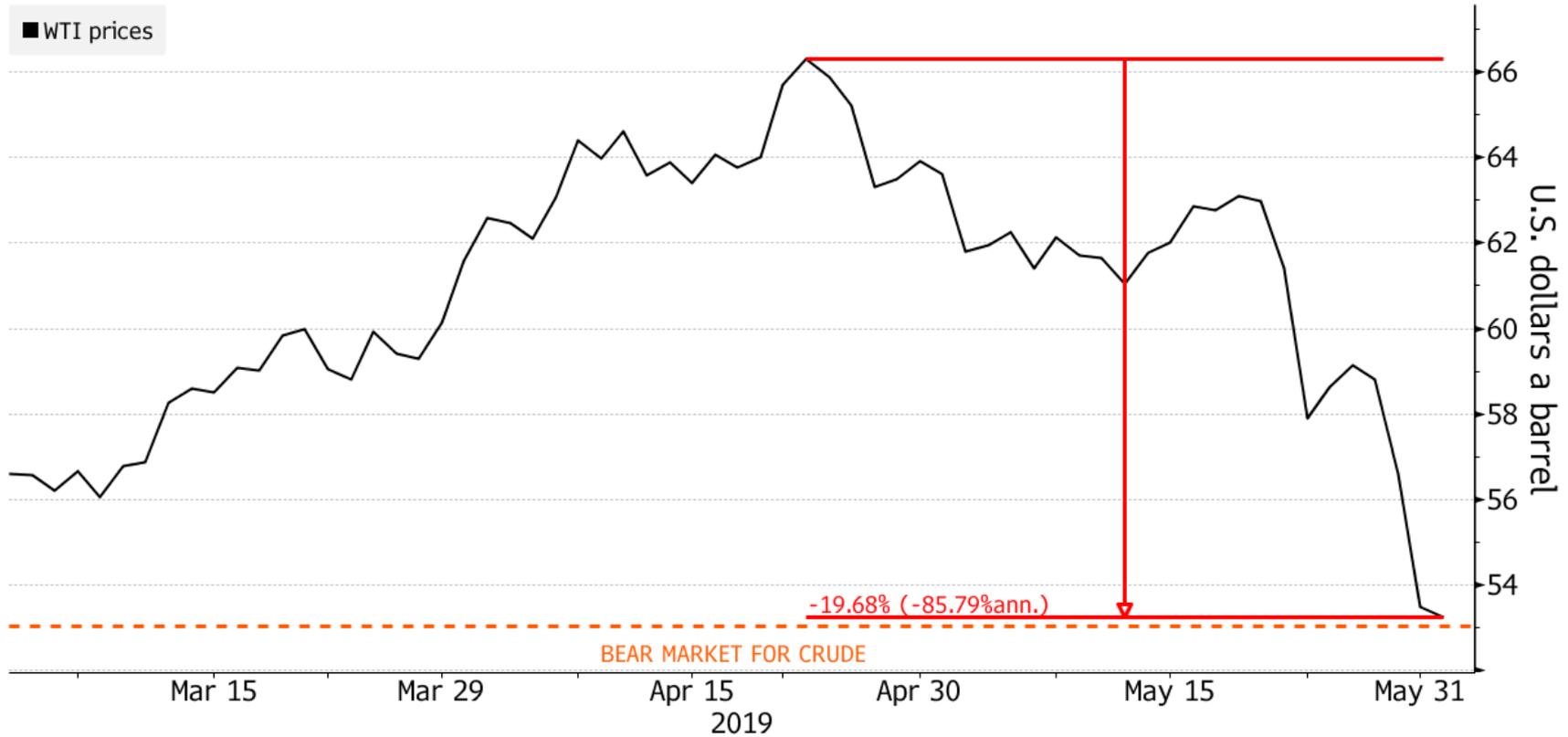


Source: Thomson Reuters Datastream

Ritvik Carvalho/Reuters 13/06/2019 @ritvikcarvalho

Collapsing Prices

WTI moves closer to a bear market

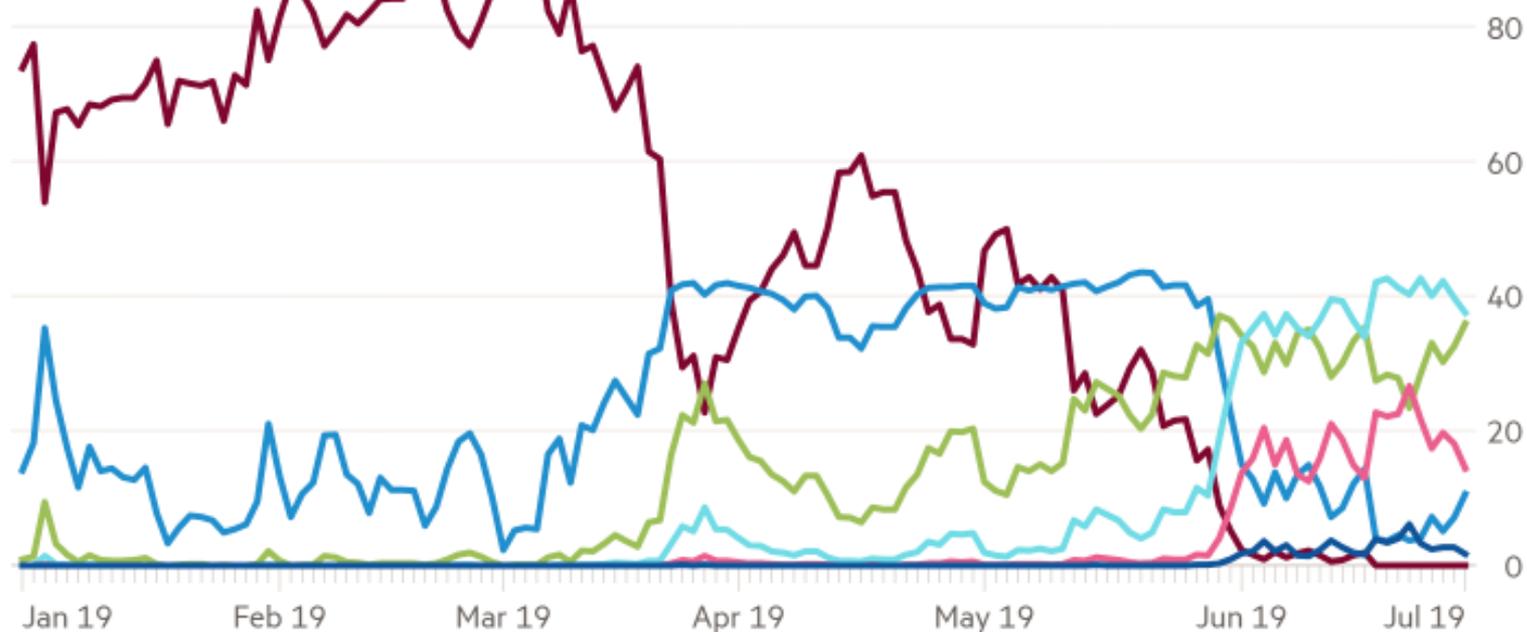


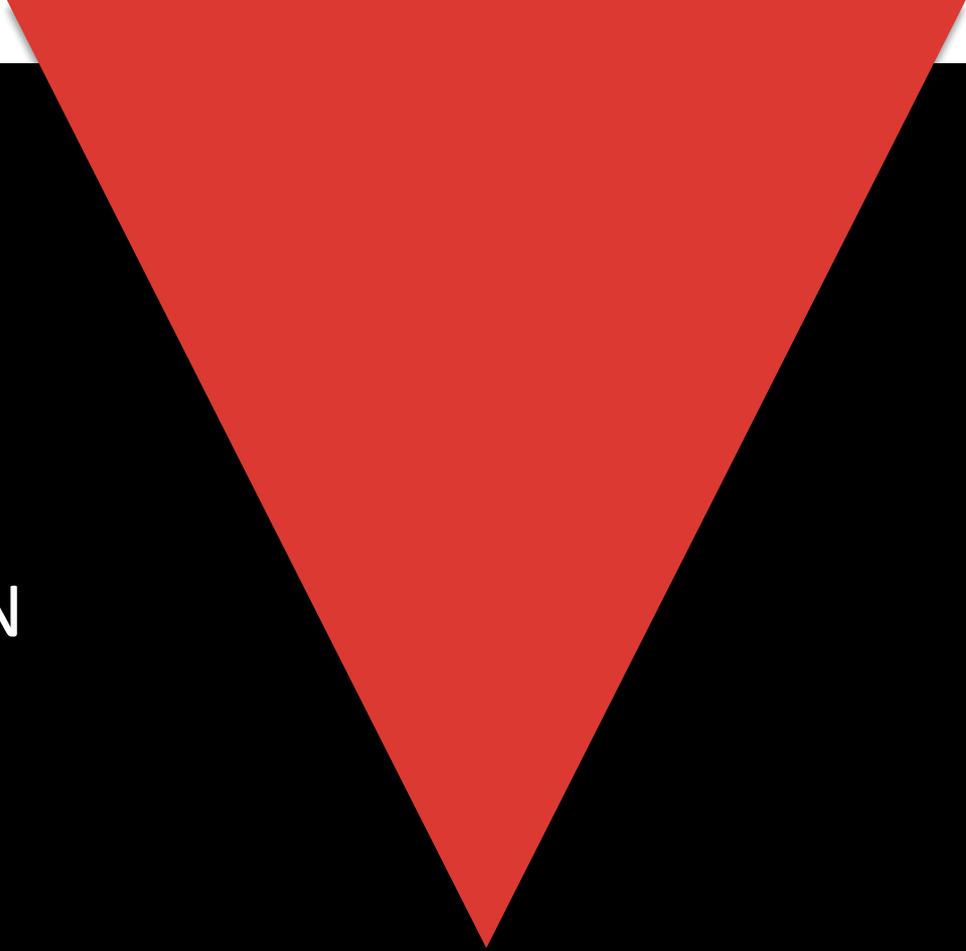
Source: Nymex

US interest rate expectations have collapsed

Traders now betting on three quarter-point rate cuts in 2019 (% probability implied by Fed Funds futures).

■ Five cuts ■ Four cuts ■ Three cuts ■ Two cuts ■ One cut
■ Probability of no change (2.25-2.5)





**EUROPE: IS MORE
POLICY EASING ON
THE WAY?**

Small Improvement

Euro-area economy propped up by resilient services sector

■ Euro-area manufacturing PMI ■ Services ■ Composite



Source: IHS Markit

Bloomberg

WHAT DOES CHRISTINE LAGARDE MEAN FOR MARKETS



OUT: Mario Draghi



IN: Christine Lagarde

Why the change?

Mario Draghi term as President is due to finish on the 31st October 2019. He has been the head of the ECB since November 2011.

Who is Christine Lagarde?

- Former French finance minister (2007-2011)
- Managing Director of the IMF (2011-2019)

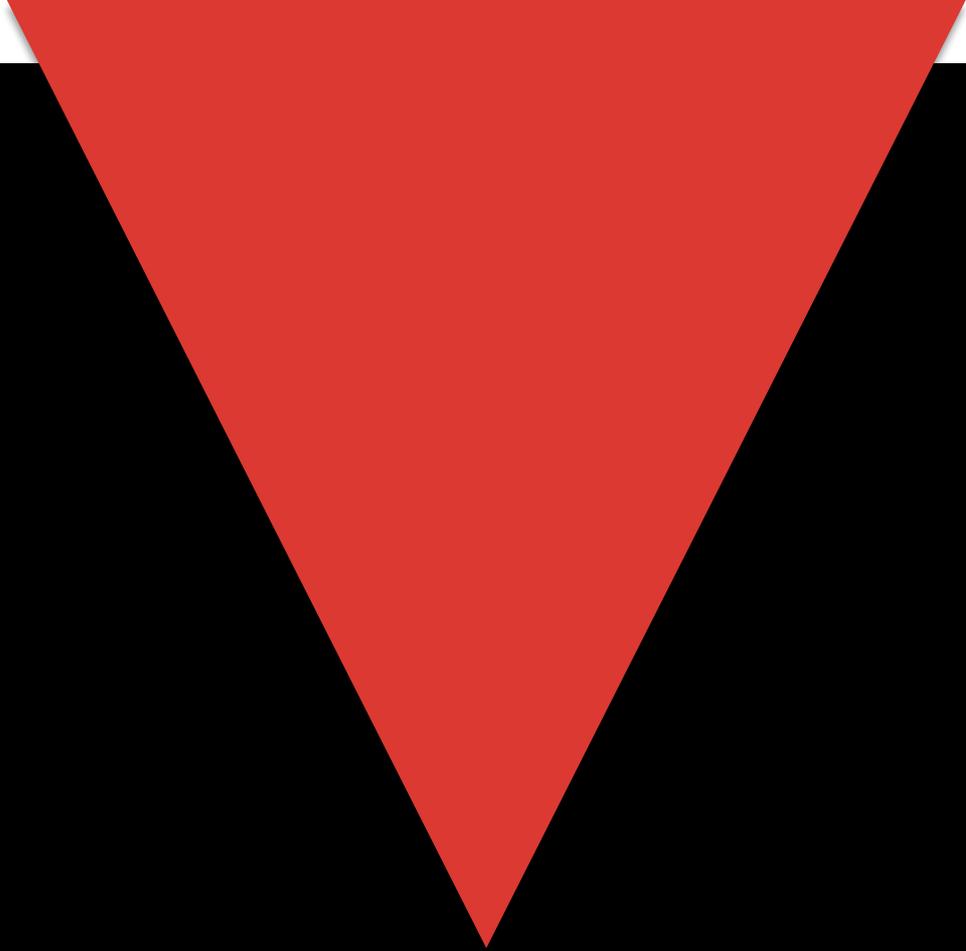
She is a well known political figure across Europe, seen as highly articulate and a skilled negotiator able to build compromise across the political spectrum. However, she is not an economist and has no direct experience in monetary policy.

What is Lagarde's stance on monetary policy?

At the G20 in Japan she said the global economy has hit a rough patch and she advised central bank to continue to adjust policies with incoming data. She has previously praised Draghi's "whatever it takes" commitment to preserve the Euro and been supportive of QE.

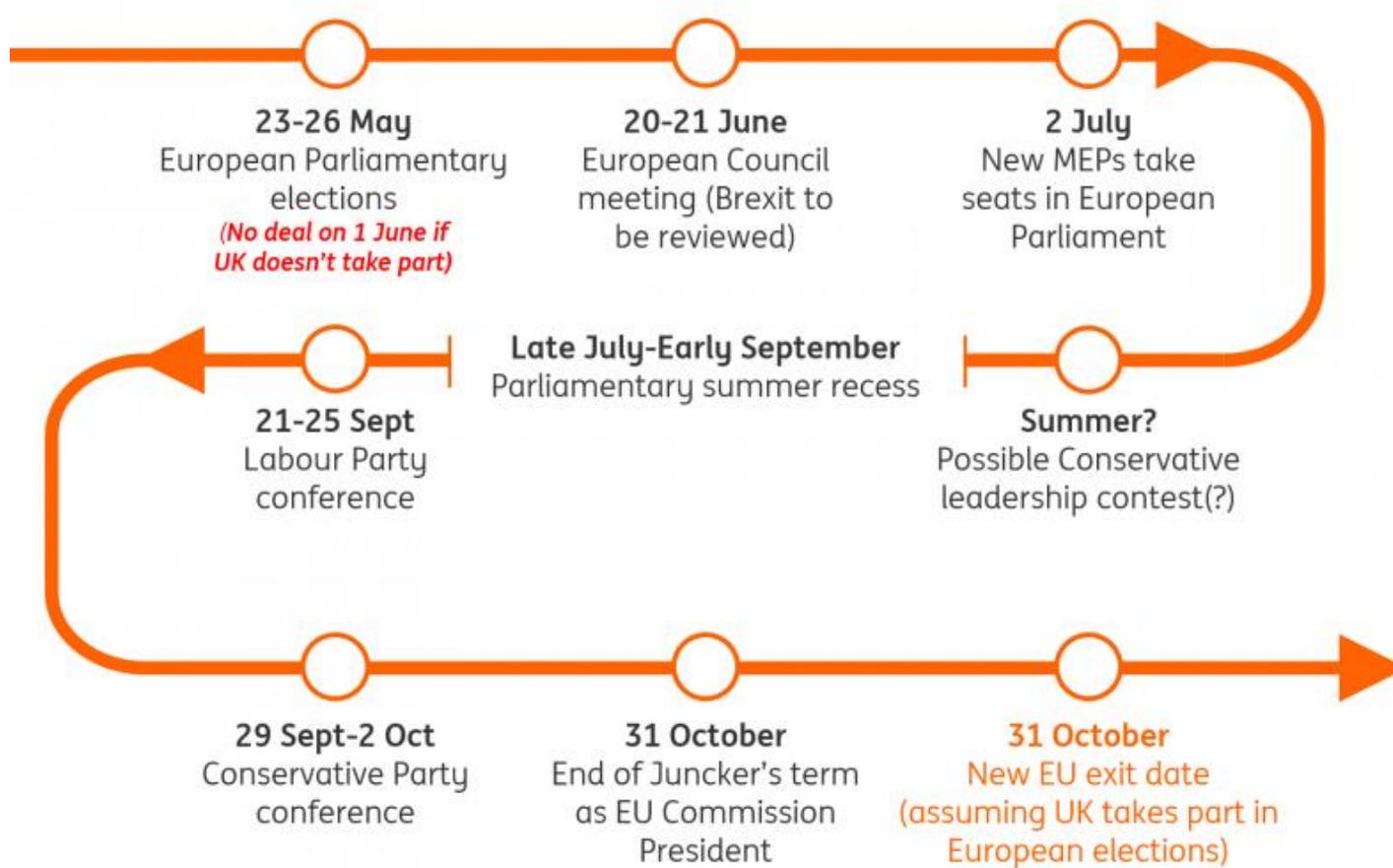
Conclusion

Continuity in existing ECB policy

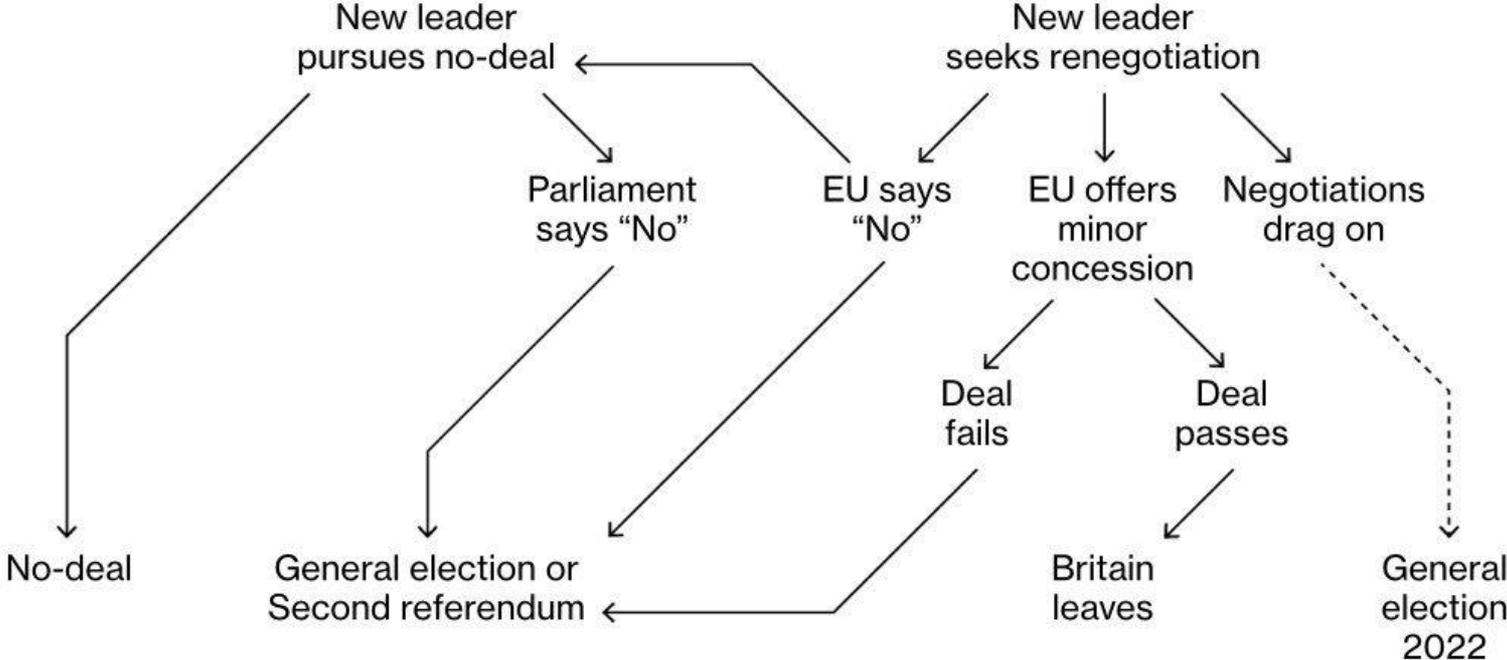


**BREXIT: WHAT
ARE MARKETS
EXPECTING**

BREXIT: THE TIMELINE

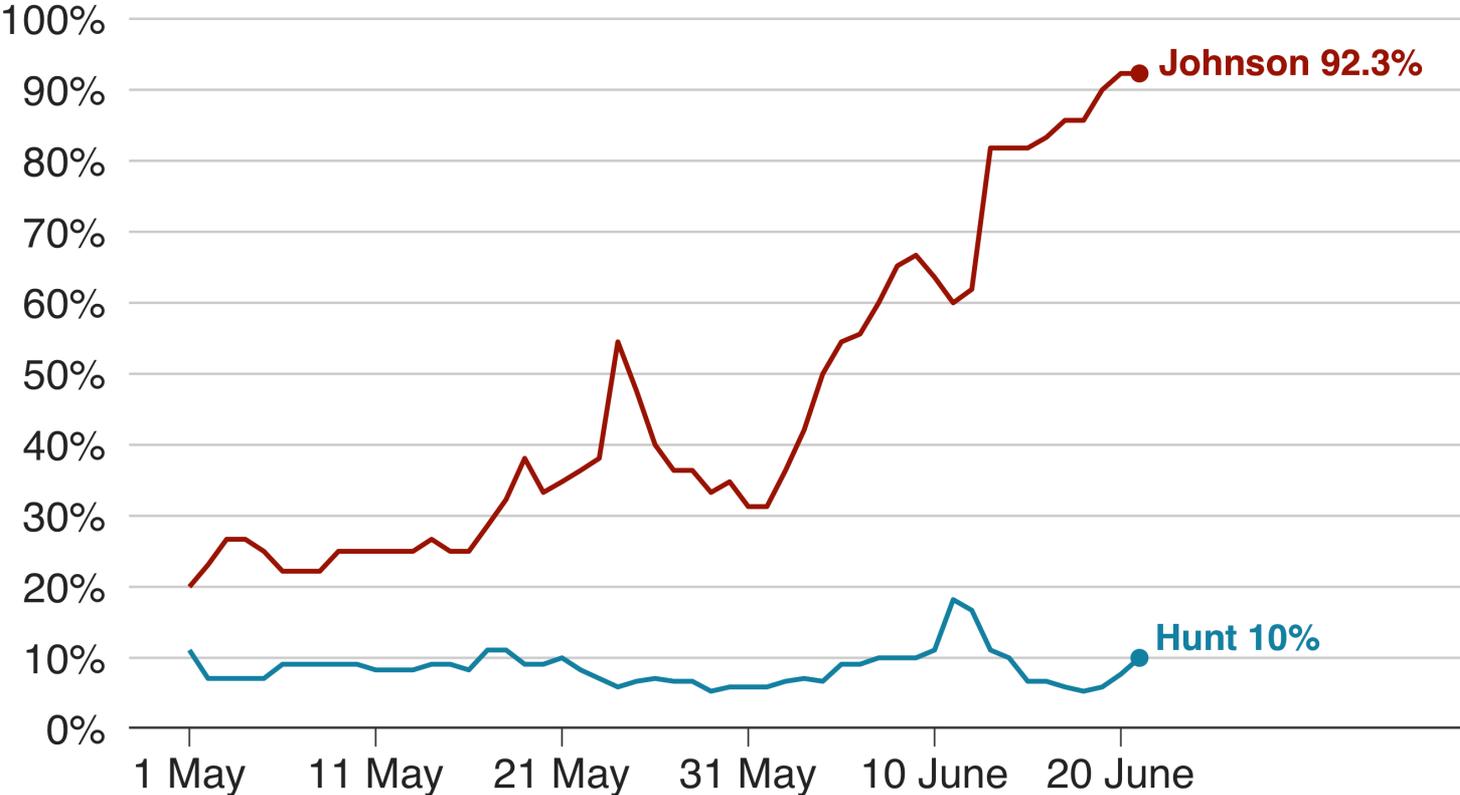


BREXIT: DECISION TREE



Boris Johnson is the bookmakers' favourite

Chances of becoming the next leader, according to betting odds



Source: Oddschecker, 21 June 2019

BREXIT: THE REALITY OF 'NO DEAL'

How could it happen?

To avoid, the UK government must pass a Brexit divorce plan into law, obtain another extension from the EU or cancel Brexit.

What would it mean for trade?

Trade would revert to World Trade Organisation (WTO) rules. If this happens, tariffs – taxes on imports – will apply to most goods UK businesses send to the EU.

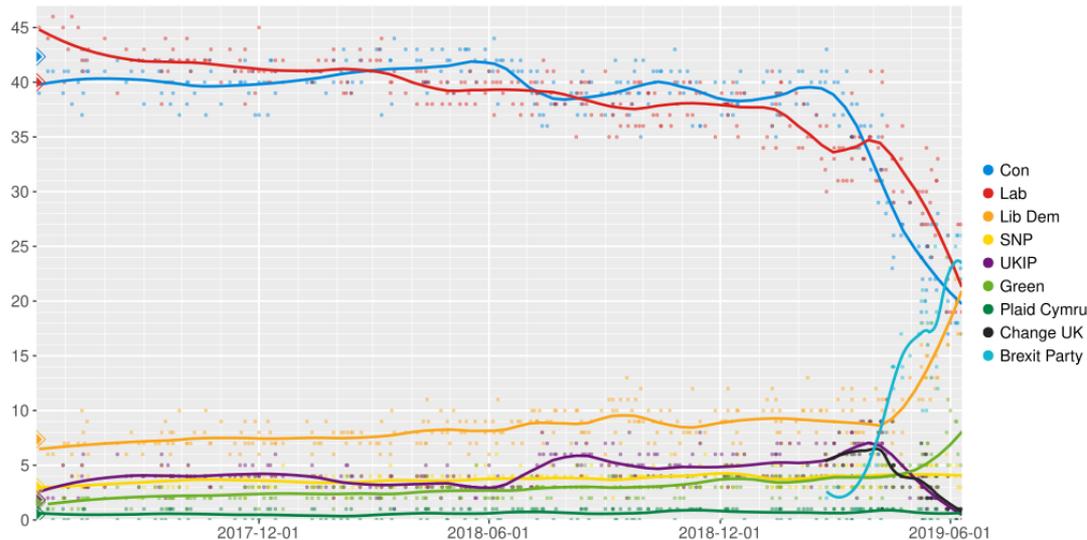
- Border checks for goods
- Lose guaranteed access to the EU single market

What about the Irish border?

No one really knows. No deal supports technological solutions which would aim to maintain an invisible border. But, EU law says border checks would still be needed on goods such as food and chemicals.

What about the divorce bill?

Boris claims the UK won't pay but this could land the country in an international tribunal. Not paying would likely also drastically impact the quality of any new EU trade deal in the future.



WHAT ARE THE POLLS SAYING?

Pollster/client(s)	Date(s) conducted	Area	Sample size	Con	Lab	Lib Dem	SNP	Plaid Cymru	UKIP	Green	Change UK	Brexit Party	Other	Lead
Opinium/The Observer	19–20 Jun	GB	2,009	20%	26%	16%	4%	1%	2%	6%	1%	23%	1%	3%
Survation/The Mail on Sunday	19–20 Jun	GB	2,016	24%	26%	18%	3%	1%	1%	6%	1%	20%	1%	2%
YouGov/The Times	18–19 Jun	GB	1,641	20%	20%	21%	4%	1%	1%	9%	0%	23%	0%	2%
YouGov/The Sunday Times	13–14 Jun	GB	1,672	21%	21%	19%	3%	1%	0%	9%	0%	24%	1%	3%
YouGov/The Times	9–10 Jun	GB	1,702	17%	19%	22%	4%	1%	0%	8%	1%	26%	1%	4%
ComRes/The Daily Telegraph	7–9 Jun	GB	2,017	23%	27%	17%	3%	1%	1%	5%	1%	22%	1%	4%
BMG/The Independent	4–7 Jun	GB	1,520	26%	27%	17%	3%	1%	1%	6%	1%	18%	1%	1%
6 Jun Peterborough by-election^[8]														
YouGov/The Times	5–6 Jun	GB	1,670	18%	20%	20%	5%	0%	1%	9%	0%	26%	0%	6%
YouGov	4–5 Jun	GB	1,663	18%	19%	22%	4%	0%	–	9%	–	25%	3%	3%
4 Jun Anna Soubry becomes leader of Change UK after six of its MPs leave the party^[9]														
YouGov	31 May–1 Jun	GB	1,644	18%	19%	23%	5%	0%	–	10%	–	23%	2%	Tie
Deltapoll/The Mail on Sunday	29–30 May	GB	2,449	20%	26%	16%	4%	1%	1%	5%	4%	24%	1%	2%
Opinium/The Observer	28–30 May	GB	2,005	17%	22%	16%	4%	1%	1%	11%	1%	26%	1%	4%
YouGov/The Times	28–29 May	GB	1,763	19%	19%	24%	6%	1%	1%	8%	1%	22%	0%	2%
23 May European Parliament election^[10]														

UK ECONOMY SUFFERING UNDER POLITICAL UNCERTAINTY

IHS MARKIT / CIPS UK MANUFACTURING PMI®

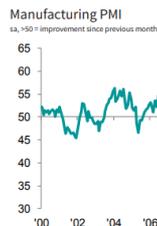
Manufacturing downturn deepens as UK PMI falls to lowest level since February 2013

KEY FINDINGS

UK Manufacturing PMI at 48.0 in June (76-month low)

Output scaled back as new order inflows contract

Business confidence dips amid ongoing uncertainty



IHS MARKIT / CIPS UK CONSTRUCTION PMI®

Construction output falls at the steepest rate since April 2009

KEY FINDINGS

Business activity declines for second month running in June

Sharpest drop in house building for three years

New orders shrink as political uncertainty hits client confidence



IHS MARKIT / CIPS UK SERVICES PMI®

INCLUDING IHS MARKIT UK ALL SECTOR PMI®

Service sector output close to stagnation in June

KEY FINDINGS

Business activity rises only fractionally in June

Jobs growth picks up, despite weak demand

Strong increase in input costs



Bank of England comments:

- 2nd July 2019: Mark Carney “*the global trade war and no-deal Brexit are growing risks to Britain’s economy which might need more help to cope with a downturn*”
- 3rd July 2019: Jon Cunliffe “*Risk of a no-deal Brexit and no transition has risen*”

ODDS OF NO DEAL: WHAT THE BIG BANKS THINK

NOMURA

30%



25%

**Goldman
Sachs**

15%

JPMORGAN CHASE & CO.

Sterling could fall as much as 20% in the aftermath of a 'no-deal' exit

QUICK FIRE MACRO QUIZ



1 – Go to kahoot.it

2 – Give yourself a username & password

3 – Enter pin on the screen

Ready to go!



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