18 November

Weekly Brief

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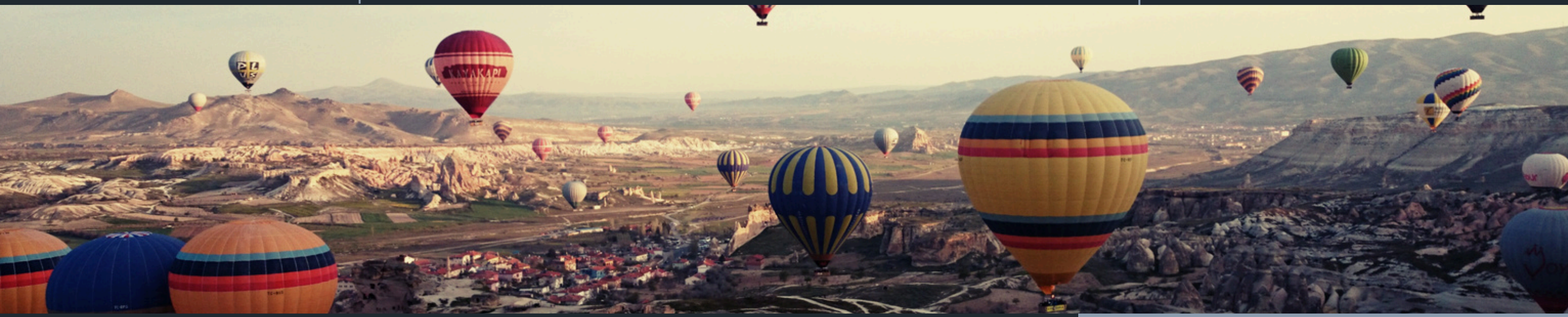

GBP

GBP/USD hit a four-month low on Friday after the UK's estimated Q3 GDP growth came in at 0.1%, down from 0.5% in the second quarter and below the anticipated 0.2%. The Q3 figure indicates that the UK's economic growth is almost at a standstill.

Economists suggest that the Labour government's negative messaging on the economy, together with its tax hikes and increased borrowing, have contributed to declining business and consumer confidence.

Monetary Policy Report Hearings will take place on Tuesday, when the Bank of England's Governor Andrew Bailey and other MPC members will testify before Parliament's Treasury Committee on inflation and the economic outlook.

UK CPI is out on Wednesday, with the MoM figure expected to rise from 0.0% to 0.5%, and the YoY figure expected to increase from last month's 1.7% to 2.2%. While these anticipated rises are positive, UK Retail Sales data will arrive on Friday, and that is expected to fall from last months figure of 0.3% to -0.3%.

EUR

Following the release of American inflation data on Wednesday, the euro further declined against the US dollar. On the same day, US Republicans won a majority in the House, giving Trump's party full control of Congress. The increasing likelihood of his policies being enacted has added to concerns about inflation risks, which are pushing up US government bond yields and adding more strength to the US dollar.

When it comes out on Tuesday, the eurozone's CPI YoY for October is expected to remain at 2.0%. Markets have fully priced in the 25-basis point cut the ECB is expected to deliver at its 12 December meeting.

A raft of PMI data for the eurozone, as well as for the UK and US, is also due for imminent release. Manufacturing and Services PMI data in the eurozone is forecast at 46.0 and 51.6. In the UK, it is expected to be 50.1 and 52.3, while US manufacturing is forecast at 48.8 and services at 55.3.

Starting on 14 November, the Rio summit of the G20 aims to build "a fair world and a sustainable planet". But leaders of major economies will be bracing for a shift in the global order with the return to power of Donald Trump. Discussions about trade, climate change and international security may well clash with the president-elect's promised policy changes, including the threat of US tariffs.

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Currency headlines

GBP: UK Q3 GDP growth slows to 0.1%

EUR: EUR/USD declines further as US inflation boosts dollar

USD: Markets adjust Fed rate cut expectations, boosting USD

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