Brexit debate, Poland climate talks, Merkel successor

yesterday



UN climate change summit, Takeda investors vote on Shire acquisition

Brexit will continue to dominate UK politics this week as the parliamentary debate on Theresa May's withdrawal deal begins on Tuesday ahead of a vote scheduled for the following Tuesday. The prime minister faces strong resistance, with up to six MPs chosen by the speaker able to table amendments.

Mark Carney, the Bank of England governor, will address the Treasury committee on Brexit's impact on the economy. He will be under pressure to explain his forecasts, including a possible 8 per cent contraction in the worst-case scenario.

UN climate negotiations start in Poland on Monday. This year's talks will write the rule book for the 2015 Paris climate agreement, which was approved by more than 190 countries but was vague on details. China and the EU seek to fill the leadership void following Donald Trump's intention to withdraw, while global emissions have been rising. A key dispute is whether the rules should be different for developing countries.

Delegates from Germany's Christian Democratic Union will gather in Hamburg on Thursday to elect a successor to Angela Merkel, who announced in October that she would stand down as CDU leader after 18 years in the post. Three contenders are vying for her crown: Friedrich Merz, a former leader of the CDU group in the German parliament, Annegret Kramp-Karrenbauer, the current CDU secretary-general, and Jens Spahn, the health minister.

US non-farm payroll data for November is released on Friday. Federal Reserve chair Jay Powell has said the central bank will be watching economic data closely.

Monday

Economic data

UK: Manufacturing PMI (Nov) *09:30 GMT* British manufacturing suffered its sharpest slowdown for two years in October as fears of a no-deal Brexit, a global manufacturing slowdown and problems with new car emissions tests weighed on activity. The IHS Markit manufacturing purchasing managers' index fell to 51.1 in October, down from 53.6 in September and far below City economists' expectations of 53. A reading above 50 indicates growth while anything below points to contraction. The consensus forecast for November is 52.0.

US: ISM manufacturing (Nov) *15:00 GMT* The Institute for Supply Management's manufacturing index came in at a six-month low of 57.7 in October. That compares with 59.8 recorded in September and badly undershot the reading of 59 that the market had expected. Readings above 50 indicate that output in the industry is rising and October's figure represented the 26th straight month that the sector has expanded. The consensus forecast this time is 58.0.

Tuesday

Corporate earnings

Dollar General (Q3) is expected to post a rise in sales as its efforts to boost traffic with store renovations and expanded product offerings pay off. Margins may continue to be under pressure because of the company's deep discounts and higher freight and labour costs. Investors will look for any updates on tariff impact and the full-year forecast.

Economic data

South Africa: GDP growth (Q3) *09:30 GMT* South Africa fell into its first recession since 2009 during the first half of the year, despite optimism over Cyril Ramaphosa replacing the corruption-hit Jacob Zuma as president. Output in sub-Saharan Africa's most industrialised economy fell at a 0.7 per cent annualised rate in the second quarter, a much worse reading than the 0.6 per cent rise forecast by economists.

Economists are much more optimistic about the third quarter because of robust gains in manufacturing, retail and wholesale, with the forecast for a recovery to a quarterly rate of 1.6 per cent.

Wednesday

Takeda-Shire takeover vote

Takeda Pharmaceutical shareholders are set to vote on the £46bn takeover of Irish drugmaker Shire at an extraordinary meeting. Investors must approve the deal to allow the company to issue new stock to fund the acquisition.

Glass Lewis and Institutional Shareholder Services (ISS) have announced their full support for the deal, but a small group of shareholders — approximately 1 per cent — argue that Takeda is overpaying and using excessive leverage.

Monetary policy

Canada: Bank of Canada rate decision *15:00 GMT* The central bank announces its decision on the key policy interest rate, which is likely to stay at 1.75 per cent.

Economic data

UK: Services PMI (Nov) *09:30 GMT* Brexit uncertainty contributed to a sharp slowdown in Britain's services sector in October, according to a survey of executives. The IHS Markit services purchasing managers' index revealed the slowest pace of growth since the snowstorms at the start of the year. The headline reading fell to 52.2 in October, down from 53.9 in September and far below City economists' expectations of 53.8. The forecast for the November reading is 52.7.

US: ISM non-manufacturing (Nov) 15:00 GMT Growth in the vast US services sector cooled slightly in October to 60.3, down from a 21-year high of 61.6 in September. Economists were looking for a reading of 59.3. A reading above 50 indicates expansion. The index is again expected to ease off in November, with a slight fall to 59.5.

Corporate earnings

American Eagle Outfitters (Q3) is set to report same-store sales growth, but investors are likely to focus on forecasts for the holiday season as it continues to spend heavily on the expansion of its Aerie brand of lingerie.

Thursday

Opec meeting

The Organization of the Petroleum Exporting Countries and Russia gather in Vienna for a two-day meeting to discuss output policy. Opec and its allies led by Russia have been restraining production under a pact reached in late 2016 to prop up oil prices. There have been reports that Russia has accepted the need to cut output ahead of the meeting.

Friday

Economic data

Germany: Industrial production (Oct) *07:00 GMT* German industrial production rose 0.2 per cent in September, driven by increased production of capital goods, with contributions from the construction and energy sectors. The forecast for October is flat.

US: Labour market (Nov) *13:30 GMT* Average hourly earnings are estimated to have risen 0.3 per cent month-on-month in November. That would follow a 0.2 per cent increase the previous month. Meanwhile, hiring is expected to have cooled with economists projecting the US economy

created 205,000 jobs last month, down from 250,000 in October. The unemployment rate is expected to hold steady at 3.7 per cent.

Corporate earnings

Berkeley Group (H1) is expected to report lower profits after warning Britain's housing market lacked urgency and was constrained by high transaction costs, limits on mortgage borrowing and uncertainty over Brexit. Investors will look for comments on plans to mitigate risks from a disruptive Brexit.

Saturday

Economic data

China: Trade balance (Nov) China's exports rose less than expected in October but still managed to pull the country's trade surplus up from a half-year low while import growth remained well into double digits. The impact of existing tariffs is expected to weigh on export growth in the coming months, while import growth is forecast to remain firm on the back of elevated oil prices, although at a more moderate pace.

Sunday

Economic data

China: CPI (Nov) *01:30 GMT* China's consumer price index rose 2.5 per cent in October compared with a year earlier, according to data from the National Bureau of Statistics. Producer prices were up 3.3 per cent year on year, easing from a 3.6 per cent increase in September. HSBC Global analysts expect headline CPI to have risen at a slightly slower pace of 2.3 per cent year on year in November.