Brexit vote, US bank results, Putin visits Serbia

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Brexit vote, US bank results

Once again the Brexit vote by MPs takes centre stage in the UK. The crucial vote on prime minister Theresa May's deal to leave the EU is scheduled to go ahead on Tuesday after being called off last month when Mrs May accepted it was almost certain to be defeated. The prime minister's deal — which covers the terms of the UK's split and the framework of future relations with the bloc — has already been agreed with EU leaders but needs to pass a vote by MPs before it is accepted.

Mrs May still looks likely to lose the vote so the focus will fall on her next moves as the March 29 date to leave the EU closes in.

In the US, investor focus will be on the beginning of the fourth-quarter earnings season, mainly financials. The big banks begin on Monday with Citigroup, followed by JPMorgan and Wells Fargo on Tuesday. Bank of America and Goldman Sachs are scheduled for Wednesday, while Morgan Stanley reports on Thursday.

Shares in the big six US banks fell by an average of 14 per cent in the last month of 2018, so investors are braced for the results against a backdrop of growing concern about the path of US economic growth over the next year. Rising short-term interest rates in 2018 begged the question whether the cost of deposits at big lenders will finally increase, and whether hints of weakness in the economy will prompt banks to boost provisions for bad loans. Investors will be watching to see what impact elevated volatility in financial markets had on investment banking operations.

Economy watchers, as well as keeping an eye on any further trade progress between the US and China, have US retail sales, eurozone inflation and Chinese trade as some of the more notable releases this week.

The Federal Reserve's Beige Book will be parsed for signs the US economy is slowing in line with market expectations, though many monthly activity reports will have been affected by the government shutdown. This is also the final week before the FOMC puts up its wall of silence ahead of its rate-setting meeting at the end of the month. A number of Fed policymakers will be speaking, giving additional opportunities for them to try to calm investors who were unnerved by the central bank's forecast pace of monetary policy tightening this year.

The US Senate Judiciary Committee conducts confirmation hearings for attorney-general nominee William Barr on Tuesday and Wednesday. The Democratic party has attacked Mr Barr's nomination because of his critique of Russia special counsel Robert Mueller's inquiry into possible obstruction by Donald Trump.

In the UK the corporate names to watch are Pearson, which reports on Wednesday, along with Persimmon (Tuesday) and Whitbread (Thursday).

On the global stage Russia's president Vladimir Putin is set to visit Serbia this week to meet counterpart Aleksandar Vucic, who has faced weeks of protests against his government's influence over the media. In recent years Mr Vucic has walked a diplomatic tightrope between Russia, which shares cultural and religious ties with the country of 7.2m people, and the EU. Russia backs Serbia's stance of never recognising Kosovo while the EU has said normalising ties with Kosovo is key to Serbia joining the EU.

Greek prime minister Alexis Tsipras is set to face a confidence vote this week after the ruling Syriza party's coalition partner, Independent Greeks (Anel), a small rightwing nationalist party, pulled out of government. Panos Kammenos, the defence minister and Anel leader, resigned because of opposition to Greece's naming deal with neighbouring Macedonia, leaving Mr Tsipras short of a parliamentary majority.

Background reads

- Brexit brinkmanship: playing chicken over Theresa May's deal
- A post-Brexit UK must be competitive above all
- Where should Britain go post-Brexit? Eight foreign secretaries respond
- What to look for in US bank earnings
- More woe for eurozone as labour productivity growth grinds to halt
- Serbia's Aleksandar Vucic pledges to stay on reform path

Markets Questions

Will crunch Brexit vote spark sterling rally or sell-off?

Comparative advantage — your weekly briefing on the UK economy

Britain's manufacturing slowdown mirrors EU's industrial woes

Economic calendar

A comprehensive guide to the week's economic events

Monday

China trade balance

Chinese trade figures will be closely watched amid the continued impasse between Beijing and Washington. Analysts at HSBC Global Research expect China's exports to rise 4.5 per cent year on year in December "on the back of slower global demand and external uncertainty around tariffs".

Detroit motor show

Car companies from around the world roll into Detroit to show their offerings at the North American International Auto Show. Ford and Volkswagen are expected to announce on Tuesday that they will forge closer ties that may later extend to collaborating on electric and self-driving technology, as well as a broader collaboration on a range of issues. Ford is also expected to display a redesigned Explorer SUV and the latest variant of its Mustang muscle car.

Wednesday

US retail sales

Sales are forecast to have risen 0.3 per cent month on month in December. In the lead-up to Christmas, a number of retail executives predicted a solid holiday season, but updates from a number of big US retailers have received a mixed to negative reaction from investors.

Swedish Parliament vote

Parliament will vote for a third time on a nominee for prime minister. Stefan Lofven is on the verge of being re-elected as the leader of the centre-left Social Democrats reached a cross-party agreement to end months of political stalemate last week. The deal still needs the backing of all four parties involved, but most political experts expect them to endorse the plan, ending an unprecedented four months in Sweden without a government.

Thursday

South Africa rate decision

Economists expect no change from the Reserve Bank of South Africa's monetary policy committee at its January meeting, thanks to a more dovish outlook from the US Federal Reserve easing concerns about the potential impact of US monetary policy tightening. The fall in oil prices has also lifted SARB's inflation forecast.

Netflix

Netflix is expected to post a rise in international subscribers in the fourth quarter, as original content such as *Narcos* and *Bird Box* pulled in users. To fend off competition,

Netflix has been pumping in funds to expand its portfolio of original content across different languages and strengthen its international presence.

BlackRock

The world's largest asset manager reports fourth-quarter earnings after a bruising year that saw its stock plummet more than 20 per cent, as weak markets hurt demand for investment funds.

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