

Danske Daily

UK leadership battle culminates

Market movers today

- We start the week quiet on the data front with no key releases scheduled for today. Later in the week PMI figures and the ECB meeting will set the tone for financial markets. We expect the ECB to tweak the forward guidance at the July meeting, setting the scene for a comprehensive easing package to be unveiled in September, see our [ECB Preview: Warming up for Draghi's Grande Finale](#), 22 July 2019.
- After a month of heated debates, the race to replace Theresa May as Britain's new prime minister will culminate today. Opinion polls continue to point to Brexit hardliner Boris Johnson as the frontrunner. While the vote counting starts today, the new prime minister will be announced tomorrow. Over the weekend, UK Chancellor of the Exchequer Philip Hammond has already threatened to resign should Johnson win the leadership in opposition to his no-deal Brexit strategy.
- Later in the day, Bank of Japan Governor Haruhiko Kuroda will speak at the IMF in Washington.

Selected market news

- Japanese stocks fell back this morning after Shinzo Abe's LDP party fell short of a two-thirds super majority in upper house elections. Oil prices rose by 1% after renewed tensions in the Strait of Hormuz and Iran's seizure of a British oil tanker. The earnings season continues this week with just under a third of S&P 500 companies reporting.
- Italian yields stalled their rally on Friday, after reports surfaced about Deputy Prime Minister Salvini preparing for a meeting with President Mattarella to call for snap elections. The governing coalition between Five Star and League has come under further strain after the recent corruption scandal involving Salvini and Five Star voting in favour of Ursula von der Leyen as Commission President. The Deputy prime ministers will meet Tuesday in an attempt to avoid a collapse of the government. If a new vote is called, this is likely to be in September as President Mattarella is keen to avoid interference with the 2020 budget, due to be submitted to Brussels by 15 October.
- At her traditional summer press conference, Chancellor Angela Merkel stood firm on Germany's balanced budget policy despite the cooling economic momentum and negative yields. Merkel also left the door open for another Brexit postponement, saying, 'If the UK needs more time, we want to provide it'. The chancellor again stressed that the withdrawal agreement could not be reopened, but that a technical solution on the Irish border would make the backstop obsolete. In an interview with *Welt am Sonntag*, German Economy Minister Altmaier indicated that the EU is ready to scrap duties on key US industrial exports to prevent more taxes on its car sales.
- Spanish politics is closing in on an agreement between PSOE and Podemos to get Pedro Sanchez reappointed as prime minister, after Podemos leader, Pablo Iglesias, said he would no longer demand a ministerial post. Parliament will have a first vote on Tuesday and if unsuccessful, a simple majority vote follows Thursday.

Holiday edition

Selected readings from Danske Bank

- [ECB Preview: Warming up for Draghi's Grande Finale](#)
- [Vacation Wrap-Up: Market themes over the past three weeks](#)
- [FX Edge: H2 reflation set to drive high-beta currencies, support risk, 15 July](#)

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Expected updates

Each working day.

Date of first publication

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Report completed: 22 July 2019, 05:35 CEST

Report first disseminated: 22 July 2019, 07:15 CEST