

# 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*

Follow us on Twitter:



@Danske\_Research



Video  
Danske Bank research playlist

#### Senior Analyst

Aila Mihr  
+45 45 12 85 35  
amih@danskebank.dk

## Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of the research report is detailed on the front page.

### Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

### Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

Danske Bank's research reports are prepared in accordance with the recommendations of the Danish Securities Dealers Association.

### Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

### Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors on request.

### Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

### Expected updates

Each working day.

### Date of first publication

See the front page of this research report for the date of first publication.

## General disclaimer

This research report has been prepared by Danske Bank (a division of Danske Bank A/S). It is provided for informational purposes only. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided herein.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

## Disclaimer related to distribution in the United States

This research report was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/A, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to 'U.S. institutional investors'.

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.

**Report completed:** 22 July 2019, 05:35 CEST

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