OBAMA VISIT REIGNITES BREXIT DEBATE

This week, thanks in large part to President Obama, we're back to Brexit. The US has taken an interest in the upcoming referendum; a letter from eight former US treasury secretaries warning that a leave vote would jeopardise relations across the Atlantic was followed up by a frank warning not to do anything stupid by the visiting president. It is no surprise the US would prefer Britain to stay in; as the two nations are far more aligned culturally and economically, having Britain on the inside of the world's largest trading block shaping its decisions is clearly in the US's interest.

The probability of a leave vote has fallen to just 20 per cent and the pound is strengthening as a result. While the markets seem to be listening, it is unlikely that many of the out camp will be swayed by transatlantic advice.

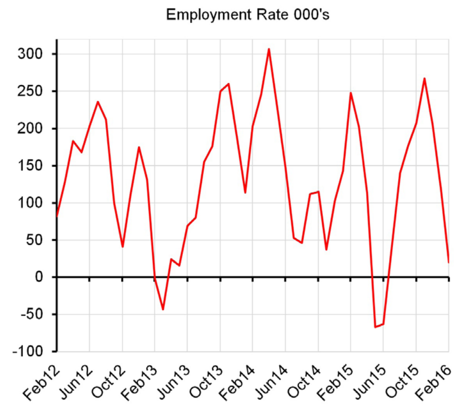
THE MARKETS THIS WEEK

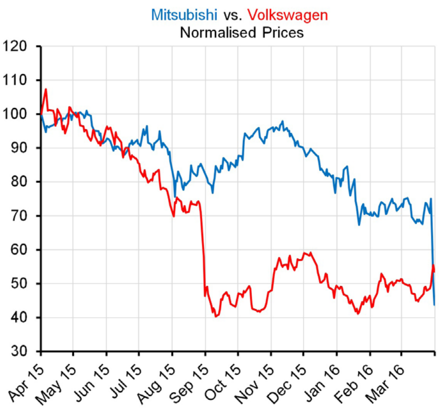
FTSE 100	S&P 500	Nikkei 225	Hang Seng	Dax 30	CAC 40	Ibex 35	Brent Crude	Natural Gas	Gold	Wheat
+0.59%	+0.94%	+3.06%	+1.43%	+3.82%	+1.95%	+3.91%	+3.62%	+4.88%	+1.13%	+7.83%

UK: THE POLITICAL SHADOW OVER LABOUR MARKET

The latest labour market data release puts the spotlight on a rise in UK unemployment figures, which rose to 1.7 million between December and February, signalling a stagnation in employment rates. Following impressive growth in the employment rate since mid-2015, which reached a record high of 74.1 per cent in February, the slowdown can be attributed to the political risks overshadowing the UK economy. The introduction of a higher National Living Wage, the uncertainty posed by the EU-membership referendum, and low inflation can all very well be blamed for the sobering news.

Meanwhile, the Business Secretary Sajid Javid announced government plans to take an equity stake of up to 25 per cent in Tata Steel UK, and to also provide debt financing for prospective buyers. The part-nationalisation could save up to an estimated 40,000 UK jobs which are dependent on the steelmaker. Despite goodwill efforts to save the heavily lossmaking company, the plan clashes with EU rules, which prohibit distorting competition of a single market.





AUTOMOBILES: NO CLEAR SKIES OVER THE INDUSTRY?

It has been a torrid week for automotive industry giants Mitsubishi and Volkswagen; the former suspended trading of its shares on Thursday after share prices fell 15 per cent on Wednesday alone. Overstated fuel efficiency is hardly a new phenomenon in the car industry, but tighter regulation now also requires Volkswagen to buy back 480,000 vehicles in the US, after last year's emission scandal. This will cost the company an estimated $6bn, which only adds to the consumer backlash that has resulted in a sales slowdown for VW.

General Motors' first quarter results outline better prospects for carmakers however, as the company's profit more than doubled in the first quarter of this year. Revenue rose to $37.3bn for the period, compared to $35.7bn in the first quarter of last year. While car sales volumes have been down 2.5 per cent this year, the lower oil price and robust economic growth have encouraged the sales of larger vehicles, which are sold at a higher margin. The company has confirmed that sales in China and the US were the main contributors to the strong performance.

OIL: STRONGER THAN POLITICAL SENTIMENT

The failure of negotiations to freeze oil production in Doha earlier this week did not deter a rally in crude, which reached its highest level since November last year. The absence of any OPEC agreement along with the news of falling US crude output, shows the weakening influence of political talk on the oil market. The latest trend can also be attributed to the softening US dollar, which has boosted commodity prices, and could also be seen as a signal for stronger economic growth in the next quarters of the year.

The historic lows rattling the commodity market since the beginning of this year have revealed another trend of weakening correlation between crude oil prices and US stocks. The two markets have maintained a positive correlation historically. It is startling to observe that the correlation between S&P 500 and crude oil prices has fallen to 0.35 this month, while it has been as high as 0.6 throughout 2016. This makes oil less of a driver of US economic growth and shows the economy's resilience to any possible market shocks.