

ARMAGEDDON



«I address you tonight not as the President of the United States, not as the leader of a country, but as a citizen of humanity. We are faced with the very gravest of challenges. The Bible calls this day “Armageddon”; the end of all things. And yet, for the first time in the history of the planet, a species has the technology to prevent its own extinction. All

of you praying with us need to know that everything that can be done to prevent this disaster is being called into service».

*President’s speech from the movie Armageddon,
by Michael Bay*

If someone is doing «everything that can be done to prevent a disaster» called “no deal”, that someone is Richard Branson, the owner of Virgin. His last idea is an appeal posted on the company’s website: «the UK is still dangerously close to the full-scale disaster that a no-deal exit from the European Union would be». In a rare joint declaration, the Confederation of British industry and trade unions are looking at a “national emergency”. As an investor in the UK, I couldn’t agree more. Time has come, for the British government, «to rethink its approach». Branson does not spare strong criticism of Premier Theresa May:«This is a moment of profound national crisis for the UK. Yet there is no sign of the inclusive leadership such a crisis requires. Prioritising party over country, the Prime Minister is no longer acting in the national interest». Over the weekend, in London, there was a demonstration calling for a new referendum on the Brexit front. Also for Branson «it’s time» for the British government «to give them», the people, «a final say», because «People’s views are never static. They evolve. And they can

change». Otherwise, the alternative is to «revoke Article 50 and start the process again from scratch, armed with the facts. There is little time to avoid a multi-generational disaster». The operators, in general, do not fear an Armageddon but expect an agreement in extremis in the coming weeks, because a no deal would not benefit any of the parties involved. However, with the passage of time, the tension begins to increase and the uncertainty to weigh.

On a macro level, last Friday, the disappointing preliminary data relating to the Eurozone crashed into the markets like a meteor shower, dragging down all the main lists. In particular, the composite PMI index fell to 51.3 points from 51.9 in February. It is the lowest value of the last two months. The difficulties are even more evident when looking at the manufacturing PMI index: in this case, we move to March’s 47.6 points from February’s 49.3 (according to Markit, it is the lowest figure from 71 months to date). The signs of economic slowdown have therefore raised concerns among operators, and the president of the European Central Bank, Mario Draghi, has tried to restore calm by pointing out that there is no recession in the euro area.

The braking of the Old Continent is however a warning signal, even for the USA: the Federal Reserve has indicated the global slowdown as the first danger for the United States. The loss of momentum in the States is confirmed by March’s PMI manufacturing index, which stood at 52.5 points from February’s 53. As a precaution, the Fed confirmed the freezing of interest rates for 2019. But overseas, the spotlight also shines on Treasury Bonds: the inversion of the yield curve is a signal that historically announces trouble for the economy. In particular, the gap between the cost of financing 3-month and 10-year US government bonds has significantly narrowed.

The Ifo business climate index, published on Monday 25th, regarding the confidence in Germany’s companies, slightly raised the spirits. It rose to 99.6 points in March, stronger than last month’s 98.5, and surpassed the consensus (98.7). A positive news that, however, on its own was not enough

Headquarters

6, Market Street, Floriana
FRN1082 Malta
Tel. +356 23479800

Italian branch

Via Cavallotti 8
20122 Milano
Tel. +39 02 36574500

Czech Republic

Pařížská 68/9, 110 00
Praha 1 Staré Město
Tel. +420 220 950 677

www.aqa-capital.com

info@aq-capital.com

to reverse the trend: yesterday many European lists closed negative, while the FTSE MIB remained on parity.

Finally, there is the matter of US-China tariffs. After the past few weeks progress, at the moment the situation appears to be static. The markets are hoping to soon see a definitive agreement between the two superpowers: it would be a possible opportunity to try changing the investors' mood. A mood that was affected by the negative signals of the global

economy. And precisely for this reason, governments and institutions must work as quickly as possible to avoid any potential disaster.



FOLLOW US ON AQA-CAPITAL.COM



www.aqa-capital.com

Disclaimer

This commentary is issued by AQA Capital Limited ("AQA"). AQA is licensed by the Malta Financial Services Authority ("MFSA") and qualifies as a UCITS Management Company and an AIFM in terms of the Investment Services Act (the "ISA"). AQA may also provide additional investment services. AQA is subject to the laws of Malta. For further information, on the services which AQA is authorised to offer, kindly view the MFSA website on www.mfsa.com.mt. Any information, views and opinions published in this commentary is supplied solely for educational and information purposes and should not be considered as an offer, solicitation or recommendation for the purchase or sale of, or effect any financial transaction. The information contained in this commentary does not constitute investment advice, and should not be relied upon to make any investment decision. Furthermore, information contained in this commentary should not be considered as a consultation of any nature, including, consultation about legal or fiscal matters. AQA Capital Ltd. has not verified and consequently neither warrants the accuracy nor the veracity of any information, views or opinions appearing on this website. AQA has no liability to any person for any errors or omissions. The information contained in this newsletter is not to be relied upon by any person. No representation or warranty, whether express or implied, is made, and no liability whatsoever is accepted in relation thereto. Any information contained in the commentary may not be reproduced (either in whole or in part), reworded or copied without prior written consent of AQA.

Headquarters

6, Market Street, Floriana
FRN1082 Malta
Tel. +356 23479800

Italian branch

Via Cavallotti 8
20122 Milano
Tel. +39 02 36574500

Czech Republic

Pařížská 68/9, 110 00
Praha 1 Staré Město
Tel. +420 220 950 677

www.aqa-capital.com

info@aq-capital.com