



US GOVERNMENT SHUTDOWN INCREASES THE CHANCE OF A MARKET SURPRISE

This week the US federal government shutdown became the longest in history as it passed the previous record of 35 days set during Donald Trump's first presidential term. Unless you are a furloughed government employee or you had planned to visit US national parks or museums, the immediate effect of a shutdown may be hard to see. But the longer the shutdown drags on the more problems become apparent.

The last shutdown in 2018 is estimated to have shaved 0.1% off fourth quarter GDP growth and this shutdown has already lasted longer with no end in sight. More significant for markets is the lack of reliable economic data. This week we should have received the monthly JOLTS and non farm payroll numbers. In their absence we are left with less reliable private sector surveys of the US economy. The data is also a key indicator for the Federal Reserve's interest rate decisions and some of the weakness in US markets at the start of this week was put down to uncertainty about the path for US interest rates. The longer the shutdown continues the higher the chance of a surprise for investors.

THE MARKETS THIS WEEK

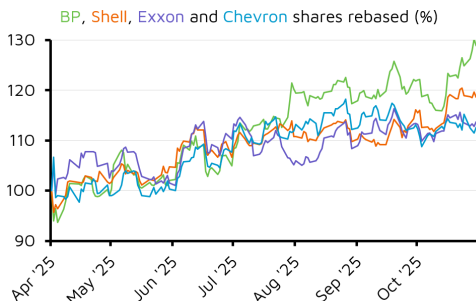
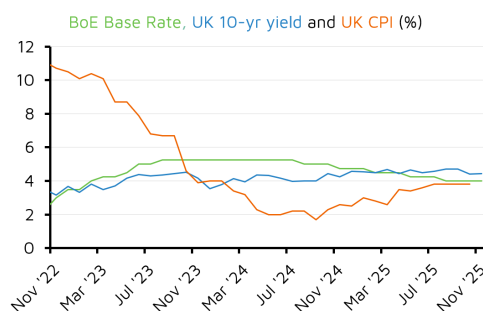
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-0.36%	-2.16%	-4.13%	-1.24%	+0.97%	0.00%	+0.04%	+0.39%	+0.37%	-1.00%	-0.29%



UK: BANK OF ENGLAND HOLDS RATES AS ECONOMIC ACTIVITY PICKS UP

The Bank of England left interest rates unchanged at 4% at this month's monetary policy meeting. But, with four votes for a cut and five in favour of no change, expectations of a cut at December's meeting are rising. The bank forecasts economic growth will slow from 1.5% this year to 1.2% in 2026 and sees inflation decelerating from the current 3.8% to its 2% target by the end of 2027 while wage growth also slows.

The yield on UK gilts has been falling in recent weeks, as gilt values increased, but this paused in advance of the decision. However, sterling has weakened against the dollar and the euro as markets expect to see interest rates decline. Bond markets have also been following announcements by Chancellor Rachel Reeves in advance of the budget later this month. The messaging from Reeves and the UK Treasury has been clearing the way for tax hikes to cover the shortfall in government finances, and bond investors appear reassured that they are not going to be tapped up for significant additional borrowing.



ENERGY: BIG OIL REPORT RESILIENT EARNINGS DESPITE LOW OIL PRICES

Oil majors have reported robust third-quarter results despite a 14% drop in average oil prices year-on-year. BP delivered steady profits of \$2.2bn, with higher production and refining margins offsetting weaker oil prices and trading. BP has been pivoting back to its core oil and gas business and selling its renewables assets. Shell adjusted earnings rose to \$5.4bn, buoyed by record production in Brazil and the Gulf of Mexico, and a rebound in gas trading. Exxon and Chevron both raised output, with Exxon hitting its highest output in over two decades. Both companies beat earnings forecasts, with Exxon reporting \$7.5bn and Chevron \$3.5bn in net income. Share price movements were mixed, with Shell, Chevron and Exxon down slightly after results, while BP gained.

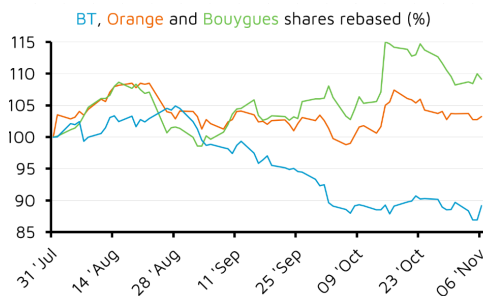
On the market front, OPEC+ responded to concerns of a looming supply glut by announcing a pause in output increases for the first quarter of next year, temporarily supporting prices after recent declines. The decision comes amid forecasts of oversupply in 2026.



TELECOMS: M&A PICKS UP AS NEW ENTRANTS COMPETE FOR CUSTOMERS

The European telecoms market has seen a flurry of mergers and acquisitions as firms revisit plans for growth. French firm Orange is set to pay €4.25bn to buyout its private equity partners and take sole control of Spain's MasOrange. Meanwhile French media and telecoms group Altice recently rejected a combined bid of €17bn for its SFR mobile telecoms business. Orange, Bouygues and Free have said they will maintain their effort as they try and consolidate the French mobile market.

In the UK, BT is looking at launching a low-cost service to compete with existing rivals such as Lyca Mobile and Lebara, as well as a wave of new entrants like Monzo and Revolut. There are also signs of consolidation in the broadband market. Virgin Media O2 is considering a £2bn bid for Netomni, the UK's fourth largest broadband operator. Gigaclear, a smaller network, is up for sale as it struggles with debts of £1bn. Further consolidation is expected as smaller challenger businesses have struggled to tempt users from the main providers.



Data sourced from the Bank of England, Investing.com and Office for National Statistics

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