

# British parliament rejects Brexit deal in major setback for May

## US govt shutdown begins to take a toll on economy

KUWAIT: British lawmakers officially rejected PM Theresa May's Brexit deal last week in the worst defeat in modern British history. The 432-202 crushing defeat triggered a confidence vote in May's government which she narrowly secured the next day. This leaves May with an uphill battle to renegotiate another deal with parliament and the EU in only 10 weeks.

The resounding rejection of May's deal has done little to bring clarity over the path ahead for Brexit. All options remain on the table, including the potential of a no deal, a general election and a second referendum. One prospect in the very near term is that Article 50 might need to be extended in order to give time to reach parliamentary consensus. UK Chancellor of the Exchequer Philip Hammond supported this view by not ruling out seeking an extension to the Brexit negotiating deadline.

Bank of England governor Mark Carney said the reaction of financial markets in the wake of the vote showed a degree of confidence that a no-deal Brexit was unlikely to happen March 29th. The pound bounced back against the dollar amid optimism that article 50 would be extended and that the prospect of a disorderly exit from the EU had receded. "Public market commentary, consistent with our market intelligence, is that a rebound appears to reflect some expectation that the process of resolution would be extended and that the prospect of no-deal may have been diminished," said Carney. However, market volatility is still expected to continue until a clear direction from parliament is seen.

### Inflation slows in the UK

British inflation fell to its lowest level in two years in December as fuel prices dropped, leaving the Bank of England under no pressure to carry on raising interest rates as uncertainty over Brexit

dominates the economic outlook. Consumer prices rose at an annual rate of 2.1 percent in December, slowing from 2.3 percent in November, in line with economist expectations. The rise was also the smallest since January 2017.

The Bank of England has raised interest rates twice since 2017 and had said it planned to gradually increase borrowing costs. Economists said that although inflation remained just above the BoE's 2 percent target, it is expected to drop below that level soon reducing the urgency for a BoE hike.

The inflation figures could be seen as a relief for British consumers who have been pressured by high inflation since the British pound dropped more than 10 percent after the 2016 Brexit referendum. Inflation peaked at a five-year high of 3.1 percent in November 2017 but has since fallen while wages have grown at their fastest in a decade in the same period.

### Slowdown in Europe

The euro had been pressured in this period due to two main reasons. First, the continuing uncertainty revolving around Brexit is shaking investor confidence and second, a slowdown is expected in the Euro area for 2019. European Central Bank President Mario Draghi highlighted some of these reasons last week during a testimony in front of the European Parliament. Draghi mentioned two types of causes for the slowdown, some temporary and others permanent. The temporary causes stem from weaker momentum due to temporary factors, and are specific to sectors and certain countries such as the slowdown in the car industry. On the other hand, the effects of the more permanent causes are going to continue. One of which, is that 2017 was an exceptional year when compared with historical averages. And so, a return to a lower growth path is natural.

Finally, Draghi cautiously showed his optimism when he stated that this in fact



was a temporary slowdown and not the start of a recession. However, he did mention that the period maybe more prolonged and dependent on external factors. The external factors being: geopolitical uncertainties including a global trade war, the slowdown in China, and Brexit.

### Government shutdown and trade

The US government shutdown is now officially a record breaker past 29 days, and is starting to take its toll on the US economy. Historically, shutdowns have had only short-lived economic effects, but Fed Chair Powell warned last week that a dispute that outlast past deadlines, has the potential to change the picture for the worse. The most immediate impact will spur from the reduction in work done by federal employees. Recent updates from the White House economists suggest that the effect of work not being done by 380,000 furloughed federal workers will cut 0.08 percent off real GDP for every week of the shutdown. In addition, and extra drop of 0.05 percent will come due to the loss of work done by federal contractors. Another impact of the shutdown will be a temporary drop in US employment data, as the furloughed staff will be classified as unemployed in the January jobs data.

Despite this, we saw some strength in the US dollar last week on growing optimism of progress in the China-US trade dispute. A Wall Street Journal report on Thursday said that US Treasury Secretary Steven Mnuchin had considered easing



tariffs imposed on Chinese imports. However, a treasury spokesman later denied the report. Despite this, sentiment was still lifted slightly considering China's chief trade negotiator is planned to visit the US at the end of the month for the next round of talks.

### China moves to support trade

China's top lawmaking body has fast-tracked approval of a foreign investment bill, in a sign that President Xi Jinping wants to implement policy moves that will support trade negotiations with the US. China says the law would create administration measures to protect the intellectual property of foreign investors and protect them from forced transfer of technologies. The National People's Congress Standing Committee has scheduled a special session to consider the bill January 29th, right before China's trade negotiator is planned to visit the US.

Global stocks jumped to their highest in more than a month on Friday after the WSJ report suggested progress was being made to resolve the trade dispute between the United States and China. US

stocks rose around 0.6 percent even after the report was denied. This implied that traders still believed there was a degree of credibility to the report. MSCI's broadest index of Asia-Pacific shares outside Japan added 0.75 percent while the Shanghai Composite index was up 1.4 percent. European stocks also followed to their highest since early December, with the pan-European STOXX 600 index up over 1 percent.

### Commodities

Oil prices rose by spiked higher on Friday after a report from OPEC showed its production fell sharply last month, easing fears about prolonged oversupply. OPEC said that its oil output fell by 751,000 barrels per day in December to 31.58 million bpd, the biggest month-on-month drop in almost two years. Brent crude and West Texas Intermediate were both up 4 percent to \$62.58 and \$53.91 per barrel respectively.

### Kuwait

Kuwaiti dinar at 0.30330  
The USDKWD opened at 0.30330 yesterday morning.

## Bayt.com weekly report

### Thinking of relocating for a job? Read this

The world is full of opportunity, but the opportunity that you're looking for might not be within your geographical area, but thousands of miles away. But, that definitely shouldn't pull you back. You can't just sit there and expect an opportunity to come knocking on your door, life doesn't work that way, you have to look for it and pursue it.

You might have just gotten a new job offer or a promotion that needs you to relocate to a new place or maybe you just want to move far, far away and start a new life. Whatever the reason, making a decision on whether or not to relocate for a job is rarely an easy decision.

Forget about weighing the pros and cons for now, and think with more of a holistic approach about your happiness and contentment. You'll need to consider various aspects that aren't just related to your new job, but your lifestyle as well. How will this relocation impact you family? Will you be able to find a suitable community to belong to?

So, before you pack your bags and leave, experts at Bayt.com have prepared a list of 5 things you should consider before relocating to help you make more of an informed decision.

#### 1. Cost of living

A new job offer or promotion can mean you'll start making more money, but this big gain can be diluted in higher costs of living. What good will a higher salary do you if you're going to end up spending more on living expenses.

You'll need to do your research and make some sort of feasibility study on the area you're moving to, and make sure to include items such as rent and transportation. Is the pay increase worth the move? Will you and your family be able to live there comfortably?

#### 2. Your relationships

If you are currently single, then this might not so much of an issue for you. But, if you're in a relationship and/or have kids, you're not just changing the course of your own life, but the lives of others as well.

How is the move going to impact the lives of your loved ones? Your family, your

spouse or significant other. You'll have to take their lives and careers into consideration. Does the job market at the new location doing well? Or will you spouse/ partner struggle to find a job?

You'll certainly need to sit down with your partner and discuss how you can make this work. One way is to research the job market at the location you're intending to move to and review jobs that will fit your partner's interests and skillset.

#### 3. Your Job security

You don't want to go through all the stress of moving to a new place for a job and then ending up getting laid off after a short period of time because the company went bankrupt.

In order for you to not run into that kind of situation, you'll need to look into the company or office that you're relocating to. Are they currently growing or are they facing problems with diminishing returns?

You should only take the offer if you are confident that the company you're relocating to is stable for at least the next 5 years, especially if it is a start-up. You should research online for any financial statements that they might have released. If not, you might want to ask them if they can give you access to them. You can easily do this with the Bayt.com Company Search tool. This tool literally gives job seekers the ability to stalk companies online, in order for them to get an idea of what the company does, as well as a taste of their culture.

You should also consider digging into the industry in that certain area, this should be relatively easy to find online by searching for market outlook reports.

#### 4. Taking a trip

Sometimes pictures and videos aren't enough, if you want to get a real feel on how it would be like to actually live and work there, then you should consider going there for a visit. Try to plan a trip that is longer than just the weekend, you're going to work there, so you'll also need a feel of how things are during working days, in order for you to get more of a hands-on experience.

#### 5. Having a safety net

Relocation doesn't always work out, you might take the job, relocate then end-up hating it there. Which is why you should certainly consider having a backup plan just in case things don't go as planned. Being precautions won't do you no harm. And if you ever find yourself in that situation and don't have a backup plan, you can always use Bayt.com to find over 20,000 international opportunities.

## Wall Street wary of progressive Democrats on House panel

WASHINGTON: Wall Street is bunkering down for a wave of intense scrutiny as a group of progressive Democrats, including social media star Alexandria Ocasio-Cortez, have joined a powerful House of Representatives committee overseeing banking activities.

"It's a huge victory," said Ocasio-Cortez, at 29 the youngest member of Congress and a self-described socialist—a word that shocks conservatives, who brandish it as a dire threat.

"I cannot stress how important this moment is. Dems are putting members who rejected corporate campaign money on a committee overseeing Wall St.," she tweeted.

Ocasio-Cortez, often referred to by her initials AOC, will bring public attention to the ordinarily drab committee via her strong social media presence that includes 2.5 million followers on Twitter.

Wall Street is trying to figure out the goals of the Democrats, now in charge of the House of Representatives after eight years of control by President Donald Trump's Republicans.

While the Senate remains in Republican hands and ready to block dramatic changes, Democratic control of the House promises at least to make life difficult for bankers, with tighter industry oversight and lengthy public hearings.

The symbolism is already striking. The

panel is headed by Maxine Waters, 80, a regular target of Trump's barbs who is the first woman and the first African American to head the committee.

Waters has warned the financial sector that the days of banking deregulation and lax oversight are over.

### 'Wall Street running amok'

In her first speech as committee chairwoman on January 16 she said the 2008 financial crisis "was a result of Wall Street running amok, with abusive institutions peddling toxic products... with no agency responsible for prioritizing consumer protection." Ultimately, the economy was sent tumbling into the abyss," she said. "Our fear," a banking source told AFP, "is that she (Waters) will reinforce oversight of big banks."

The source expects to see "more CEO hearings in Congress" with the Democrats in charge.

Half of the new committee members belong to the Progressive Caucus, the left wing of the Democratic party. Several made a splash when they ran for office in the November 2018 election.

They include Ayanna Pressley, the first African American congresswoman from Massachusetts, and Rashida Tlaib, the first Palestinian American and one of the two first female Muslim lawmakers in Washington.

### Tighter banking oversight

The newcomers favor tighter banking oversight, but also promise to fight for easier access to credit, more industry diversity, and against housing discrimination. "I'm looking forward to digging into the student loan crisis, examining for-profit prisons/ICE detention, and exploring the development of public & postal banking. To start," Ocasio-Cortez tweeted. "Public banking" are two words that send shivers down the spine of Wall Street.

Nevertheless, "Cortez won't set the agenda of the committee, Chairwoman Walters will," a second banking source said. "We have a lot of differences with her (Waters) but she's been in that committee for 30 years. We know her, she knows us," the source said. "There are bipartisan issues we can work on." The alliance of progressive Democrats extends into the Senate, where they can count on support from Elizabeth Warren, who has announced her interest in running for president in 2020.

Even though she is confined to the opposition, the 69-year-old senator can make bankers and government officials squirm with tough questions from her perch on the Senate finance committee.

"With Republicans in control of the Senate, Waters' best hope for the next two years is to keep financial issues in the limelight in the hope they influence the election next year," wrote FTN analyst Chris Low. Having Ocasio-Cortez on the committee "will bolster that goal," he said. —AFP

