Good morning!

“Vote early, vote often” is an old adage associated with corrupt elections. It can now be used by members in UK Parliament just based on the number of Brexit proposals they have had to sift through over the past few months. Well they will get plenty more votes to cast in the coming months as the Brexit deadline has been pushed back again – this time from today until Halloween (somehow that just seems so appropriate). The two-week extension from March 29th was not enough time to iron out a deal – surprising. So this horror show will continue for another six months (at least) with no clear path to a resolution. UK Prime Minister Theresa May requested a delay to June 30th but EU leaders, much like UK Parliament and her own party, just ignored her. Many EU members wanted a delay of one year but France’s Macron insisted on six months with a review in June. So what can change during this time? May’s Brexit withdrawal agreement has already been buried three times, and Parliament has twice rejected other options presented for vote. There is just not a clear consensus on what Brexit should look like.

Since the German translation for “Wahl” is vote or choice, I will exercise my namesake and not comment any more on this tiresome Brexit debacle until they come to the conclusion to hold a second referendum to let the people decide. To me, this has always been the logical Wahl (is that correct grammar or is it “choice”?). Plus it seems odd to see “logical” next to my name.

As far as central banks go, the Swiss National Bank is one of the more interesting. There are actual stock shares to own, they share profits with various regions, they have amassed over $700 Billion in foreign assets which exceeds the Swiss GDP, and they are not shy to intervene in the markets to weaken the franc. These foreign holdings can cause wild swings in their profitability as SNB posted a CHF 15 Billion loss in 2018 after a record CHF 54 Billion gain in 2017 due to weaker equities at the end of last year and a stronger franc. Prior to 2015, SNB had a mandate to keep the value of the franc no stronger than 1.20 versus the Euro which caused the central bank to spend billions in CHF to weaken it and increased their foreign holdings. Since they removed the 1.20 peg over four years ago, CHF has traded much higher against the EUR and only briefly had it fallen to that level in early 2018.

This year the global oil benchmark is up 32% with Brent crude firmly above $70 a barrel. What is different this time is that the “petrocurrencies” have benefited from the link which has not been the case in recent years. The Russian ruble, Canadian dollar, Norwegian krone and Mexican and Colombian pesos have rallied against USD. Previously these currencies would move in lockstep with oil prices but in 2016 it started to break down as individual country concerns became the overriding factor. In Canada, housing market concerns took center stage while inflation was the focus in Russia. It will be interesting to see if the correlation remains intact.

Have a great weekend! Michael Wahl Detroit