

Focus

After three years of negotiations the realization of the Brexit seems closer than ever. It is yet to be seen what the effects of Brexit will be on the British but also the European economy, especially because the British parliament recently decided to postpone the decision for 3 month and to a call for early elections. It is, however, clear that the uncertainties of a possible Brexit have already affected the international investments, in the last three years. How exactly have these international investments changed in the UK and other EU countries and what are the consequences of these changes?

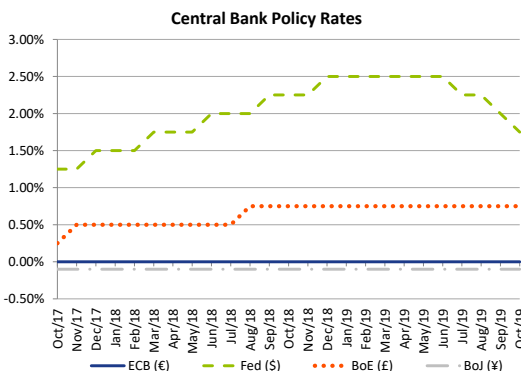
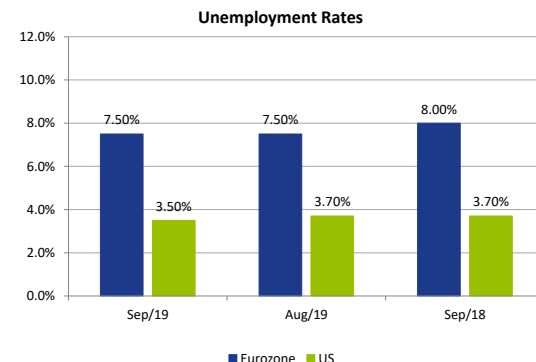
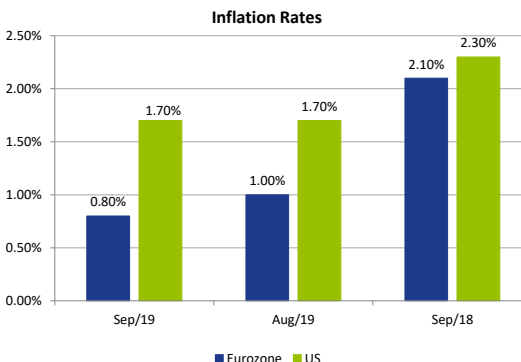
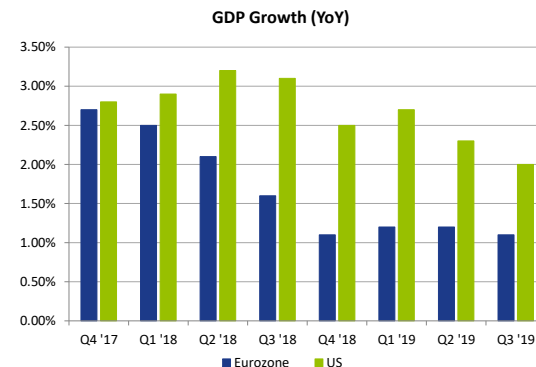
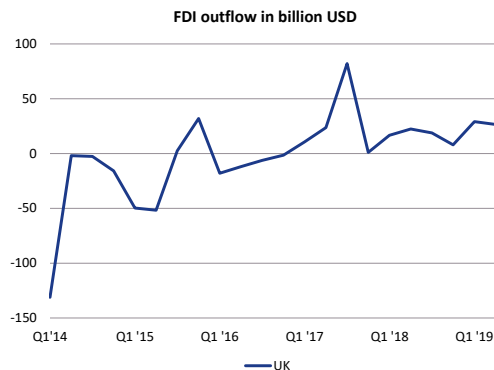
The trade relation of the Netherlands and the UK is already affected by the Brexit uncertainties. According to Statistics Netherlands (CBS) investments from the Netherlands to the UK have decreased considerably since the referendum in 2016. While 2016 was marked with EUR 50 billion worth of investments, in 2017 these decreased to EUR 24 billion. And in 2018 investments in the UK even became disinvestments of EUR 11 billion. On the other hand, investments from the UK to the Netherlands have multiplied by six since 2016.

The in- and outflows of Foreign Direct Investments (FDI) of the UK in the last years also appear to be affected by the looming Brexit, as shown in the graph on FDI outflows. According to figures of the Organisation for Economic Co-operation and Development (OECD) on the FDI of British investments outside the UK (the outflow FDI), investments from the UK into other countries have increased to USD 82 billion in the third quarter of 2017.

Additionally, it became less appealing for foreign investors to invest in the UK because of the uncertainty of Brexit. The figures of the OECD on the FDI inflows present that foreign investments towards the UK decreased from USD 72 billion in the beginning of 2016 to USD 33,2 billion in the second quarter of 2019.

The possible tariffs and checks at the British borders after Brexit have also affected the international business. It has created anxiety within multinationals established in the UK that advantages of the open market between EU countries will possibly end. The expected costs of the tariffs and the costs of managing the additional regulations encourage these multinationals to relocate their facilities to EU countries where these costs might be avoided. The Netherlands Foreign Investment Agency (NFIA) estimates that 100 companies have relocated from the UK to the Netherlands since the referendum because of their concerns on losing the access to the EU internal market.

Regardless of the fact that the actual conditions of trade and investments in the UK will be unchanged until the actual Brexit, merely the uncertainty of the future structure of tariffs and borders has affected the international investment flows. It remains to be seen how the European and British economy eventually will perform at the end of the Brexit process. It will all depend on whether Brexit will pull through and if so, how it will be defined.



Country Ratings	S&P	Moody's	Fitch
Netherlands	AAA	Aaa	AAA
Germany	AAA	Aaa	AAA
France	AA	Aa2	AA
United Kingdom	AA	Aa2	AA
Russia	BBB-	Baa3	BBB
United States	AA+	Aaa	AAA
Japan	A+	A1	A
China	A+	A1	A+
Australia	AAA	Aaa	AAA

Review & Outlook

In October, the European Central Bank (ECB) has started the transition to a new short-term reference rate. The new interest rate, which has been given the name €STR (Euro short-term rate), reflects the overnight borrowing costs of banks within the European Monetary Union and will replace the current reference rate, the EONIA. The main reason for the gradual replacement of the EONIA rate is that from 2022 onwards, a reference rate should be based on transactions instead of estimates from a panel of money market traders. The first fixing of the rate, which was published by the ECB on October 2nd, is -0.549%.

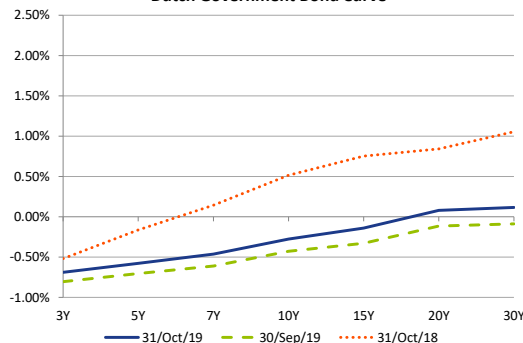
The World Trade Organization (WTO) has indicated that it expects global trade growth to reach 1.2% in 2019. This is considerably lower than the 2.6% that was still expected in April 2019. Also, the International Monetary Fund (IMF) foresees lower growth for the global economy, for about 90% of the world. According to IMF top executive Kristalina Georgieva, this year the world economy has probably seen its lowest growth in almost a decade. The decreased world economic growth forecasts from the WTO and IMF are mainly caused by the increasing uncertainty among entrepreneurs as a result of the US-China trade war, the uncertain Brexit processes and the slowing global economic growth.

According to a representative of the Chinese Ministry of Trade, trade talks between China and the United States progressed substantially. The countries came to a partial trade deal past month that is still to be formalized and signed by both countries. This partial trade deal concerns intellectual property rights, financial services and agriculture. In first instance, this deal would be signed at a conference in Chile. However, this conference was cancelled at the end of October due to the instability in Chile. It is unclear whether the conference will take place within a comparable timeframe.

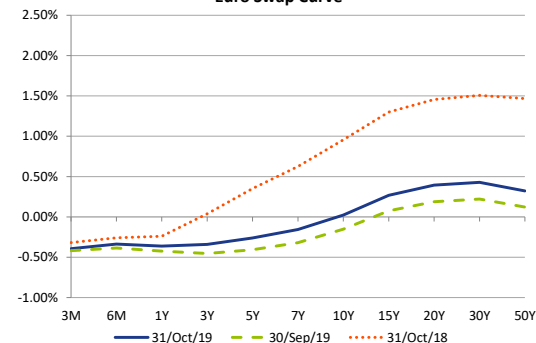
Upcoming publications of macroeconomic indicators

- 7 November 2019: Economic growth forecasts European Commission
- 13 November 2019: Non-Monetary Policy ECB Meeting
- 13 November 2019: Industrial production EU
- 14 November 2019: Gross domestic product EU
- 15 November 2019: Industrial production US
- 17 November 2019: Gross domestic product US
- 29 November 2019: Unemployment figures EU

Dutch Government Bond Curve



Euro Swap Curve



Bank Ratings	S&P	Moody's	Fitch
Rabobank	A+	Aa3	AA-
ING Bank	A+	Aa3	AA-
ABN AMRO	A	A1	A+
BNG Bank	AAA	Aaa	AAA
NWB Bank	AAA	Aaa	n.a.
Deutsche Bank	BBB+	A3	BBB
BNP Paribas	A+	Aa3	AA-
Barclays Bank	A	A2	A+
Credit Suisse Int.	A+	A1	A-

Currencies	31/Oct/19	30/Sep/19	31/Oct/18
EUR/USD	1.115	1.090	1.131
EUR/GBP	0.862	0.887	0.886
EUR/CHF	1.100	1.088	1.141
EUR/JPY	120.490	117.795	127.765
EUR/DKK	7.471	7.466	7.461
EUR/SEK	10.764	10.725	10.369
EUR/CAD	1.468	1.443	1.488
EUR/AUD	1.618	1.615	1.599
EUR/CNY	7.850	7.791	7.891

Yields 10Y Government Bonds

