

Economic Alert iQ



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International

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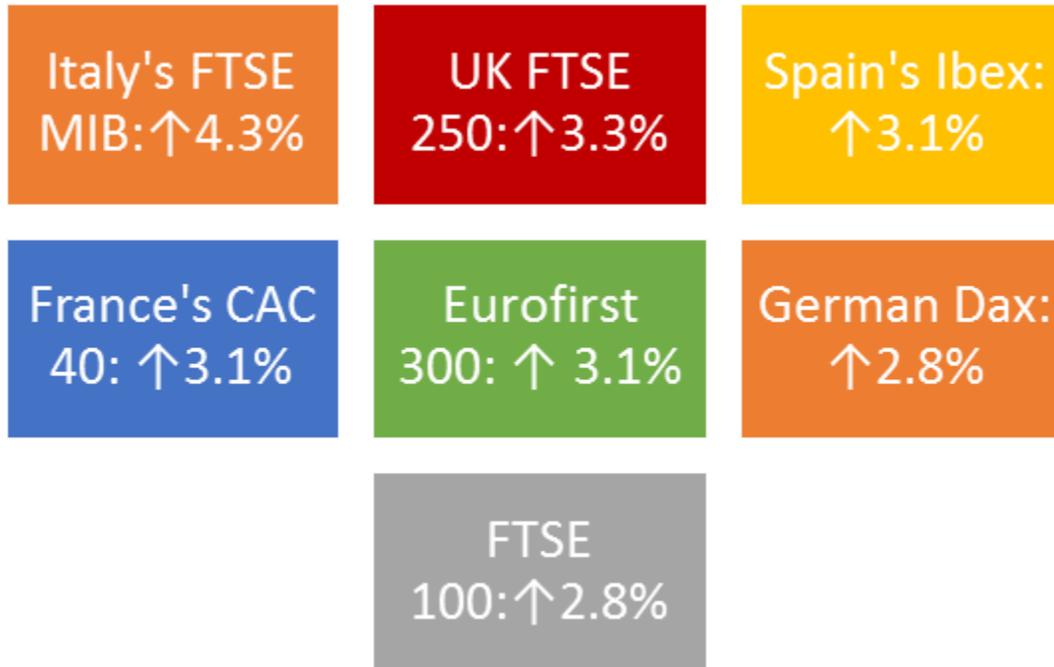
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Update- EU Leaders Meet in Brussels Over Brexit

- EU leaders are currently engaged in meetings in Brussels after the U.K.'s referendum vote last Thursday, in which voters chose to leave the bloc. The EU gathering comes against a backdrop of market turmoil, with shares in Barclays Plc and Royal Bank of Scotland Group Plc crashing to their lowest level since the financial crisis.
- All 28 EU leaders are expected to meet with Prime Minister David Cameron today whilst the other 27 will hold discussions without Mr. Cameron on Wednesday.
- Sentiments around the meeting however are sharply divided over how the bloc should approach the exit talks and the future of the EU.
- European Council President Donald Tusk said ahead of the summit that the EU will need “to be patient” if the U.K needs more time.
- He echoed the views of the German, French and Italian leaders on Monday, that there can be no negotiations, “formal or informal” about Britain’s exit or its future ties with the EU until Article 50 is triggered.
- Adding to the UK’s political uncertainty, a motion of no confidence in Labour leader Jeremy Corbyn has been passed by the party’s MPs. The 172-40 vote, which is not binding, follows resignations from the shadow cabinet and calls on Mr Corbyn to quit.
- A key benchmark, the Stoxx 600 Europe banks index, has fallen to its lowest level since the summer of 2012, when the Eurozone debt crisis was at its height and Mr. Draghi declared the ECB would do “whatever it takes” to save the euro.
- Joining the ongoing saga, ECB’s President today called for global policy alignment. Acknowledging that ultra-loose monetary policies have “inevitably” created potentially destabilizing spillover effects, he said there is a “common responsibility” to address the world’s economic weaknesses especially in light of the Brexit. This heightens speculation that Bank of England and ECB may soon embark further cutting interest rates.

Market Reacts:

- In particular, financials led the recovery of the stock markets across Europe ahead of the summit, with the Italian banking stocks index up 5.5%, and the continent wide Euro Stoxx index of financials up just over 3.2%



Source: Bloomberg, Research & Analytics



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