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Markets coping with slipping oil price while we wait to hear from the Federal Reserve. Not surprised by fall in German business sentiment – see it as difficult for largest Euro Zone economy to suddenly transition to a domestic demand model.

Was that it? Can we all go home?

Was that it? Markets in Europe are lower as investors digest a fall in the oil price and decline in German business confidence. With several Federal Reserve speakers scheduled to speak today, many are concerned that the US central bank may no longer be willing to write financial markets a check.

Oil still at very low levels

When all is said and done, oil is still at levels that would have been considered unconscionable a year ago, global growth is slowing and investors are pinning their hopes on the trio: central bank easing, cooperation within OPEC and an implicit sovereign guarantee for the European banking system.

We are veering back from seeking stronger micro performance to hoping for the financial version of divine

Will talk be enough?

Up to yesterday the general impression was that sufficient talk – without having to actually do anything – would create enough nervousness among buyers to unleash pre-emptive buying. We were seeing an increasing disconnect between the oil futures and the ambient pessimism of the major producers.

The Secretary General of OPEC has stated that the US shale producers may make up the amounts to be cut by them major OPEC and non-OPEC traditional producers. We continue to see the US shale contingent as one of the major “wild cards” along with Iran.

BHP bites the bullet

Staying within the commodity complex, BHP has bitten the bullet and slashed its dividend by 60 per cent and recorded its first loss in almost 20 years. Its strategic marketing ploy in alliance with its duopoly partner RTZ has backfired, with elimination pricing's sole result to have burnt a hole in the balance sheet.

Will this be a lesson for the richer oil producers, who are now pinning their hopes on the demise of the seemingly indestructible US shale sector?

Not surprised at drop in German business confidence

We are not surprised at the drop in German business sentiment, having often pointed out the divergence between domestic demand and exports. Whether more buoyant domestic demand fueled by rising employment and wages shall be sufficient for an uptick in German growth remains doubtful.

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The German economy has always relied heavily on high value added exports and with the emerging markets slowing, this engine appears weak.

Struggle for Europe continues

The struggle for Europe continues without quarter in the UK. The UK prime minister needed to further drill home his version of "better together" to borrow a page from the Scottish referendum. With leading banks putting the current odds of an exit at 40 –per cent, tensions shall be sure to rise.

With ½ the conservative members of parliament in the exit camp and the issue squarely on security, any further terrorist attacks in the EU shall sound the death-knell for the pro-Europe camp.

Who is right on the US economy?

With all the recession talk in the US, the tension is building ahead of the release of the second estimate of first quarter GDP. The cheerful are forecasting a paltry 0.1 per cent revised growth. Will we be surprised by the data?

Last week's CPI data hinting at incipient wage increases in the US and a clawing back of pricing pressure, helped support sentiment. Are investors ready to brush aside a bad revised GDP number?

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Research Highlights

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