

# MARKET UPDATE: ARTICLE 50 EXTENDED

25th March 2019

## LAST WEEK – KEY TAKEAWAYS

### BREXIT: EU AGREES TO EXTEND ARTICLE 50

- The Prime Minister wrote to Donald Tusk, President of the European Council, to request an extension of Article 50 until 30th June;
- Sterling rallied after the EU offered to extend the deadline until 12th April;
- However, there were conditions attached- parliament must approve the withdrawal deal (in which case the deadline would be extended again until 22nd May to allow time for the necessary legislation to pass), or Mrs May must propose an alternative way forward.
- **Omnis view: Despite the Speaker of the House ruling out another vote on her withdrawal deal unless it changes significantly, Mrs May might try to put it to parliament again. If it is rejected for a third time, the UK could face a much longer extension. A ‘no deal’ Brexit is only likely to occur if the EU refuses to extend the deadline.**



**Performance of sterling vs US dollar for the week commencing 18th March (source: ft.com)**

### MONETARY POLICY: FED STICKS WITH DOVISH TONE

- Following its latest meeting, the Federal Reserve announced that it does not expect to raise interest rates in 2019 due to slowing global economic growth;
- The Fed also said it would end quantitative tightening- the reverse of quantitative easing which has a similar effect on the economy as raising interest rates- by September.
- **Omnis view: Investors would normally welcome the Fed’s dovish tone, although the reasons behind its decision rattled the markets (see below).**

### MARKETS: SHIFTING BOND YIELDS WEIGH ON EQUITIES

- Global equities fell at the end of the week as the yield on short-dated US government bonds rose above the yield on their longer-dated equivalents- known as the inversion of the yield curve.
- **Omnis view: Investors closely monitor the yield curve because an inversion- on this occasion triggered by the Fed's latest meeting and weak European data- signals concerns about the prospects for economic growth.**

## GLOBAL TRADE: TRUMP SENDS MIXED MESSAGES

- US President Donald Trump claimed a potential trade deal was 'coming along nicely', but he warned tariffs could remain in place for a substantial period to make sure China sticks to its side of the agreement.
- **Omnis view: Senior US officials head to Beijing this week for the next round of talks with Chinese Vice-Premier Liu He, with enforcement high on the agenda. They will seek a breakthrough that would allow President Trump and his Chinese counterpart Xi Jinping to confirm a deal at a provisional summit in April.**

## LOOKING AHEAD - TALKING POINTS

### ECONOMIC DATA AND MONETARY POLICY

- Wednesday- US imports, exports and balance of trade for January;
- Thursday- Japanese unemployment rate for February.

**Omnis Investments is now tweeting daily updates. Follow us at: @OmnisInvest**

**This update reflects Omnis' view at the time of writing and is subject to change.**

**The document is for informational purposes only and is not investment advice. We recommend you discuss any investment decisions with your Openwork financial adviser. Omnis is unable to provide investment advice. Every effort is made to ensure the accuracy of the information but no assurance or warranties are given.**