

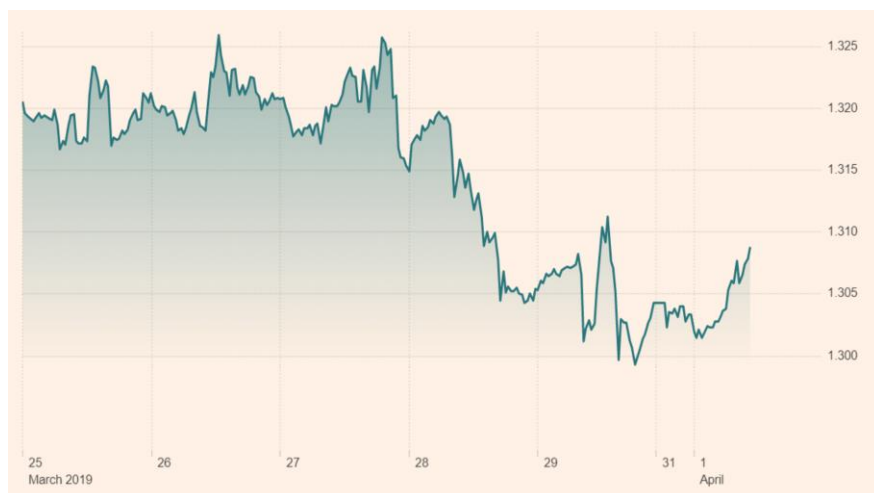
MARKET UPDATE: BREXIT UNCERTAINTY INTENSIFIES

1- April 2019

LAST WEEK – KEY TAKEAWAYS

Brexit: Uncertainty weighs on Sterling

- Sterling weakened against the US dollar on Wednesday after a series of ‘indicative votes’ failed to secure a majority for any of the alternatives to the Prime Minister’s withdrawal deal;
- Among the most popular proposals were a customs union and a referendum on the final deal;
- There was further bad news for sterling on Friday when Parliament rejected Mrs May’s deal for a third time- by a smaller margin than before- despite her offer to resign if it passed.
- **Omnis view:** With the new deadline of 12th April looming, MPs will hold another round of indicative votes today as they try to agree on a way forward. The Prime Minister may also ask Parliament to vote on her deal for a fourth time at some stage this week.



Performance of sterling vs US dollar for the week commencing 25th March (source: ft.com)

Markets: Concerns over global growth push bonds higher

- A downward revision to US economic growth in the final quarter of 2018 put further pressure on treasuries which had rallied due to concerns about the global outlook and the likelihood of an interest rate cut by the Federal Reserve.
- **Omnis view:** Bond prices move in the opposite direction to yields, so last week’s rally rattled the markets as the yield on short-term bonds has recently risen above their longer-dated equivalents- an effect known as the inversion of the yield curve which has previously predicted economic slowdowns.

Trade: US and China resume talks

- US equities rallied after Treasury Secretary Steve Mnuchin described last week’s trade talks with China as constructive and Beijing granted two US firms access to its financial markets.
- **Omnis view:** Negotiations continue this week in Washington DC, although a date has still not been set for a summit between US President Donald Trump and his Chinese counterpart Xi Jinping where they will confirm a deal.

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LOOKING AHEAD - TALKING POINTS

Economic data

- Monday- EU unemployment rate for February;
- Friday- US non-farm payroll report for March.

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