

# MARKET UPDATE: US EQUITIES RALLY AS SENTIMENT IMPROVES

7<sup>th</sup> January 2019

## LAST WEEK – KEY TAKEAWAYS

### Markets: Volatile start to the year for US assets

- US equities were dragged down by the tech sector as Apple cut its forecasts for the first quarter of 2019, due in part to slowing demand in China;
- Treasuries rallied and yields fell as investors shifted funds into what are traditionally considered ‘safe haven’ assets;
- However, equities recovered at the end of the week and bonds sold off as US labour market data beat expectations and optimism grew ahead of trade talks between the US and China which start today (see ‘Looking ahead’).
- **Omnis view: Strong labour market data helped to restore confidence in the US economy, although it remains to be seen whether the latest round of trade talks produce any concrete results.**



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

### US non-farm payroll reports

### Monetary policy: Dovish comments from Fed chairman boost equities

- Federal Reserve chairman Jay Powell provided another boost for equities by making reassuring remarks about the future trajectory of interest rates at a conference on Friday;
- Mr Powell claimed the Fed was prepared to be ‘patient’ with monetary policy and ‘wouldn’t hesitate’ to slow the pace of quantitative tightening if required.
- **Omnis view: The markets will welcome the Fed’s belatedly dovish tone which failed to emerge from its December meeting.**

### Asia:

- Figures showing a slowdown in output by the Chinese manufacturing sector in December- the first since 2017- weighed on Asian equities;

The Omnis Managed Investments ICVC and the Omnis Portfolio Investments ICVC are authorised Investment Companies with Variable Capital. The authorised corporate director of the Omnis Managed Investments ICVC and the Omnis Portfolio Investments ICVC is Omnis Investments Limited (Registered Address: Washington House, Lydiard Fields, Swindon, SN5 8UB) which is authorised and regulated by the Financial Conduct Authority. Omnis Investments Limited does not offer investment advice nor make recommendations regarding investments. Potential investors are particularly advised to read the specific risks and charges applicable to the Funds which are contained in the Prospectus and Key Investor Information Documents (KIIDs).

- Meanwhile, the People's Bank of China reduced the required reserve ratio for banks in its latest attempt to stimulate the economy.
- **Omnis view: Trade tariffs appear to be taking their toll on the Chinese economy, increasing the pressure on Beijing to make progress in this week's talks with the US.**

### **Commodities:**

- Oil prices enjoyed their biggest weekly gain since 2016 as data showed production by OPEC members and the US fell in December.
- **Omnis view: Recovering oil prices should act as a further catalyst for the energy-heavy UK and US indices.**

## LOOKING AHEAD - TALKING POINTS

### **Trade talks**

- A two-day meeting between US and Chinese trade officials starts in Beijing today, with protection of intellectual property and Chinese industrial policy topping the agenda.

### **Economic data**

- Wednesday: EU unemployment rate for November;
- Thursday: Chinese inflation data for December;
- Friday: UK GDP and balance of trade data for November, US inflation data for December.

**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.**