

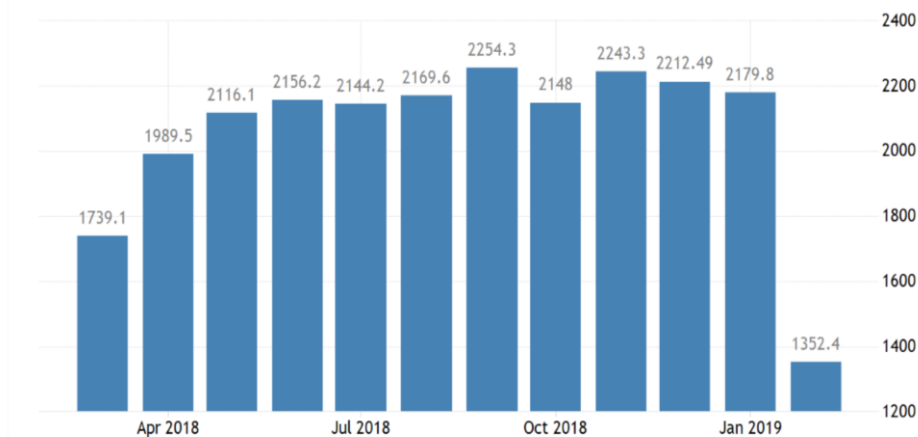
MARKET UPDATE: TRADE TENSIONS WEIGH ON CHINESE ECONOMY

11th March 2019

LAST WEEK – KEY TAKEAWAYS

China: Exports slow in February

- A slowdown in exports in February weighed on Chinese equities at the end of the week;
- The ECB’s downgrade to growth forecasts (see below) also knocked sentiment towards Chinese equities.
- **Omnis view: Trade tensions are evidently impacting the Chinese economy, as the country’s Premier Li Keqiang acknowledged at the annual National People’s Congress, putting further pressure on Beijing to make a breakthrough in negotiations with the US.**



SOURCE: TRADINGECONOMICS.COM | GENERAL ADMINISTRATION OF CUSTOMS

Chinese export data

Europe: ECB downgrades economic outlook

- European equities weakened as the ECB cut its forecasts for economic growth in 2019 and 2020 and said inflation might not reach its 2% target until 2021.
- **Omnis view: The ECB responded by indicating that interest rates will remain low for the foreseeable future and injecting liquidity into the European banking system.**

US: Labour market data misses forecasts

- US equities fell after the non-farm payroll report, a key measure of job creation, showed the US economy added 20,000 jobs in February, well below expectations¹.
- **Omnis view: While February’s job data may turn out to be a temporary blip, it should reinforce the Federal Reserve’s patient approach to raising interest rates.**

¹ <https://www.bls.gov/news.release/empsit.nr0.htm>

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LOOKING AHEAD - TALKING POINTS

Economic data and monetary policy

- Tuesday- UK GDP and balance of trade data for January; US inflation rate for February;
- Friday- Bank of Japan interest rate decision;
- Sunday- Japanese imports, exports and balance of trade data for February.

Brexit votes

- Parliament votes on the Prime Minister's revised Brexit withdrawal deal on Tuesday;
- If it is defeated, Mrs May will offer MPs a vote on whether the UK should leave the EU without a deal on Wednesday;
- If MPs rule out a 'no deal' Brexit, they will be given the opportunity to vote for an extension to Article 50 on Thursday.

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