

# MARKET UPDATE: EASING TRADE TENSIONS BOOST GLOBAL EQUITIES

14<sup>th</sup> January 2019

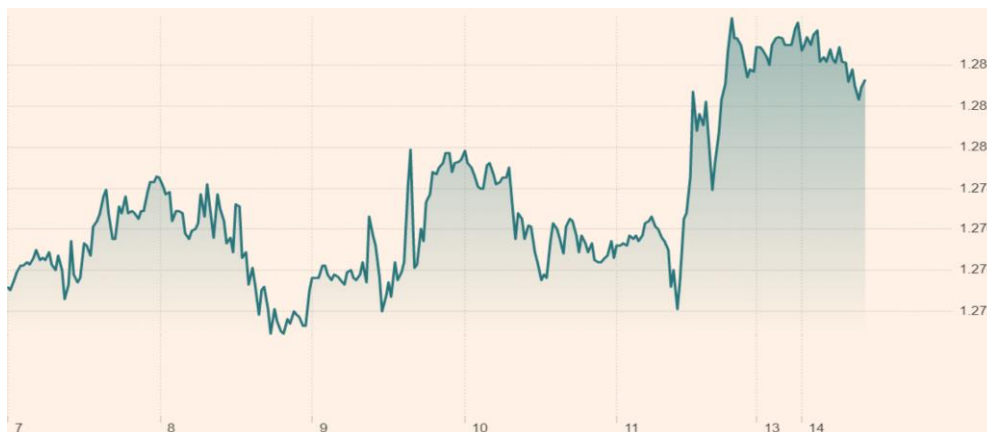
## LAST WEEK – KEY TAKEAWAYS

### Markets: Trade talks boost US and Asian equities

- US and Asian equities climbed higher as mid-level US and Chinese officials held three days of trade talks in Beijing (one day longer than originally planned);
- Both sides sounded optimistic at the conclusion which should set the tone for future rounds of negotiations involving more senior officials ahead of the deadline for an agreement at the start of March.
- **Omnis view: While the talks failed to produce any concrete outcomes, the markets will welcome the apparent easing of tensions. However, the US and China still need to make significant progress before they come to an agreement, and further obstacles may emerge in the meantime.**

### UK: Sterling rallies ahead of parliamentary vote on withdrawal deal

- Sterling rallied against the US dollar at the end of the week, as speculation mounted that the UK might have to push back its departure from the EU;
- Media reports citing unnamed government ministers claimed a backlog of draft bills which must be passed before Brexit means a delay is looking increasingly likely.
- **Omnis view: The chances of parliament voting in favour of the Prime Minister's withdrawal deal tomorrow appear slim. The currency markets priced in a defeat for Mrs May, so sterling may be relatively subdued in the aftermath.**



GBPUSD spot rate for week commencing 7<sup>th</sup> January 2019 (source: ft.com)

### Monetary policy: Fed officials reinforce expectations of rate pause

- The US dollar softened against other major currencies, as several Federal Reserve officials echoed chairman Jay Powell's recent message about taking a patient approach to monetary policy tightening;
- They also agreed that greater clarity is required regarding the global economic outlook before settling on the future trajectory of interest rates.
- **Omnis view: Further dovish comments from the Fed increase the likelihood of a pause in rate hikes in 2019, while emerging markets should benefit from a weaker US dollar.**

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## **Commodities: Saudi Arabia pledges to stabilise oil prices**

- Oil prices rose after Saudi Arabia's energy minister Khalid al Falih promised to stabilise the market and claimed production cuts by OPEC and its allies were starting to take effect.
- **Omnis view: The easing of trade tensions also bolstered oil prices, which is good news for the energy-heavy UK and US stock markets.**

## **LOOKING AHEAD - TALKING POINTS**

### **Economic data releases**

- Monday: Chinese import, export and balance of trade data for December;
- Wednesday: UK inflation rate for December;
- Thursday: Japanese inflation rate for December.

### **Brexit**

- Parliament votes on the Prime Minister's draft withdrawal deal on Tuesday evening.

### **Corporate earnings**

- Corporate earnings season gets underway again, with Netflix and Blackrock among the most prominent names to report fourth-quarter earnings this week.

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

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