

# MARKET UPDATE: EU EXTENDS ARTICLE 50 BY SIX MONTHS

15 April 2019

## LAST WEEK – KEY TAKEAWAYS

### Brexit: Article 50 extended until 31<sup>st</sup> October

- Sterling was relatively muted against the US dollar after the EU granted the UK a six-month extension to the Article 50 deadline;
- Meanwhile, the International Monetary Fund (IMF) warned a ‘no deal’ Brexit would hit the UK economy much harder than the EU.
- **Omnis view:** The UK could still leave the EU before the new deadline of 31 October if MPs come to a consensus on a withdrawal agreement.

### EU: Trump hints at trade tariffs

- European equities fell as US President Donald Trump threatened to impose trade tariffs on \$11 billion of European goods after the World Trade Organisation (WTO) ruled against EU subsidies supporting aerospace firm Airbus;
- There was mixed news for the EU economy in February as German imports and exports dropped by more than expected, but French and Italian productivity beat forecasts.
- **Omnis view:** As the US and China make progress towards a trade deal, President Trump appears to be turning his sights to Europe.

### US: Fed sticks with dovish tone

- US shares rose as the minutes from the latest Federal Reserve meeting suggested that interest rates could move in either direction, but they are likely to remain unchanged for the rest of 2019.
- **Omnis view:** The markets should welcome the Fed persisting with the dovish tone it adopted at the start of the year, particularly emerging markets which are sensitive to the strength of the US dollar.

### Corporate earnings: JP Morgan reports record profits

- US equities rallied at the end of the week as JP Morgan Chase reported the highest ever quarterly profits for a US bank;
- Wells Fargo also beat revenue expectations, but its shares fell as it lowered forecasts for the rest of this year.
- **Omnis view:** The US financial sector sets the tone for earnings season so JP Morgan Chase’s results are encouraging, although Wells Fargo’s warning will keep enthusiasm in check.



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## LOOKING AHEAD - TALKING POINTS

### Economic data

- Tuesday- UK unemployment rate and wage growth for February;
- Wednesday- Japanese imports, exports and balance of trade for March; Chinese quarterly economic growth rate; UK inflation rate for March; EU balance of trade for February and inflation rate for March; US imports, exports and balance of trade for February;
- Friday- Japanese inflation rate for March.

### Corporate earnings

- US banks, including Goldman Sachs, Bank of America and Citigroup, dominate earnings releases this week, while Netflix will be the first of the FAANG group of technology stocks to report.

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