

MARKET UPDATE: FEDERAL RESERVE PAUSES INTEREST RATES

4th February 2019

LAST WEEK – KEY TAKEAWAYS

US: Fed puts interest rates on hold

- US equities rallied after the Federal Reserve decided to leave interest rates unchanged at its latest meeting and announced it would pause rate rises due to subdued inflation and risks to global economic growth;
- The Fed also indicated that it would be flexible when unwinding its balance sheet if it has to deal with a slowdown;
- There was further good news as the US economy added 304,000 new jobs in January, although the figure for December was revised down¹.
- **Omnis view: Global equity markets will welcome the Fed's decision, particularly emerging markets which struggled under the strength of the US dollar in 2018.**



S&P 500 performance for week commencing 28th January 2019 (source ft.com)

Brexit: MPs send May back to Brussels with new mandate

- MPs voted in favour of an amendment to the Prime Minister's Brexit withdrawal deal seeking to replace the contentious Irish backstop with 'alternative arrangements'.
- **Omnis view: While it is unclear what form these 'alternative arrangements' will take, Mrs May can now return to Brussels with a mandate to try to secure a deal that parliament is more likely to approve. However, it remains to be seen whether the EU will be prepared to reopen negotiations, and if so to what extent.**

Global trade: Talks between US and China proceed

- US President Donald Trump claimed the latest round of trade negotiations with China went well, but he insisted that no final deal will be agreed until he meets with his Chinese counterpart Xi Jinping 'in the near future'.
- **Omnis view: Rhetoric continues to soften, but the two sides have not yet addressed more complex issues like the theft of intellectual property.**

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

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).

Corporate earnings: Apple and Facebook beat forecasts

- Shares in Apple and Facebook rallied as Apple's earnings fell less than expected following its warning earlier in January, while Facebook comfortably beat earnings and revenue forecasts;
- However, shares fell in Amazon, industry bellwether Caterpillar and chipmaker Nvidia as all three companies lowered forecasts.
- **Omnis view: The FAANG group of tech stocks have been the driving force behind US equities lately, so positive reports from Apple and Facebook should boost sentiment.**

Commodities: Rising oil and iron prices boost FTSE 100

- Oil prices rose after the US imposed sanctions on PDVSA, Venezuela's state-owned producer, and iron ore prices followed them up as a collapsed dam disrupted supplies in Brazil.
- **Omnis view: The resource-heavy FTSE 100 benefited from higher prices in both commodities, although the catalysts may only provide temporary support.**

LOOKING AHEAD - TALKING POINTS

Economic data releases and monetary policy meetings

- Tuesday- US imports, exports and balance of trade data for November;
- Thursday- Bank of England interest rate decision.

Corporate earnings

- Alphabet, parent company of Google, reports its fourth-quarter earnings today.

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.