

MARKET UPDATE: MIXED WEEK FOR EQUITIES AS TRADE TENSIONS SIMMER

21st May 2019

LAST WEEK – KEY TAKEAWAYS

Trade: China raises tariffs on US goods

- US equities fell at the start of the week after China raised tariffs on an additional \$60 billion worth of American goods;
- US President Donald Trump’s optimistic tone in a series of tweets on Tuesday helped equities rebound, but his decision to blacklist Chinese tech company Huawei weighed on markets at the end of the week.
- **Omnis view: The markets also welcomed President Trump’s pledge to delay tariffs on car imports for six months, although he was trying to avoid a confrontation with Europe and Japan who would be subject to the same tariffs.**



Performance of the S&P 500 for the week commencing 13th May 2019 (source: ft.com)

UK: Sterling weakens as talks end

- Sterling weakened to its lowest level against the US dollar this year as Labour pulled out of cross-party talks with the government, which had not made any meaningful progress;
- Labour leader Jeremy Corbyn claimed the talks had ‘gone as far as they can’ and signalled his party would oppose the Prime Minister’s withdrawal deal at the next parliamentary vote, pencilled in for early June.
- **Omnis view: The uncertainty about the Prime Minister’s future seems to be the latest obstacle to an agreement, as Labour fears that Mrs May’s replacement could undo any deal she negotiates.**

LOOKING AHEAD - TALKING POINTS

Economic data

- Monday – Japanese Q1 2019 economic growth
- Wednesday- Japanese imports, exports and balance of trade for April; UK inflation rate for April;
- Friday- Japanese inflation rate for April.

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Monetary policy

- Wednesday- minutes released from the latest Federal Reserve meeting

European elections

- The UK goes to the polls in the European elections on Thursday 23rd May.

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