

MARKET UPDATE: TRADE TALKS PROGRESS BETWEEN US AND CHINA

25th February 2019

LAST WEEK – KEY TAKEAWAYS

Trade: Trump extends tariff deadline

- US president Donald Trump has delayed the 1st March deadline to increase trade tariffs on \$200 billion of Chinese goods;
- President Trump tweeted that trade officials had made progress on key structural issues such as intellectual property theft and forced technology transfers.
- **Omnis view: Global markets should welcome this latest development. President Trump did not set a new deadline, but he pledged to meet with his Chinese counterpart Xi Jinping if talks between the two sides continue to go well.**

Monetary policy: Further dovish remarks from the Fed

- According to the minutes from its latest meeting, at some point this year the Federal Reserve will complete the process of reducing its balance sheet following years of quantitative easing (known as quantitative tightening or QT).
- **Omnis view: The Fed's forward guidance should reduce the uncertainty around the potential impact of QT, although there was a relatively muted response from US equities and the US dollar.**

UK: Brexit vote postponed

- Prime minister Theresa May postponed parliament's next vote on her revised Brexit withdrawal deal, which was due to take place on Wednesday, until 12th March at the latest;
- Earlier in the week, negotiations had restarted between the UK and EU, as Mrs May sought to secure concessions over the Irish backstop.
- **Omnis view: Mrs May appears to be buying time so talks with the EU can continue. However, she also has to negotiate with her own party, as demonstrated by the threat by three senior cabinet ministers to support an extension to the Article 50 deadline and prevent a 'no deal' Brexit.**

US: Walmart results boost equities

- US equities drifted higher as global retailer Walmart comfortably beat expectations for earnings and revenues in the fourth quarter of 2018.
- **Omnis view: Walmart's strong results reassured the markets after figures released by the US Census Bureau showed disappointing retail sales in December and raised concerns about the health of the US economy.**

LOOKING AHEAD - TALKING POINTS

Economic data releases

- Thursday: US quarterly GDP growth rate; Japanese unemployment rate for January;
- Friday: EU unemployment rate for January.



US GDP growth quarter on quarter

Second summit between Trump and Kim

- US President Donald Trump and North Korean leader Kim Jong Un meet for the second time on Wednesday in the Vietnamese capital Hanoi.

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