

MARKET UPDATE: EU APPROVES BREXIT WITHDRAWAL DEAL

27 November 2018

LAST WEEK – KEY TAKEAWAYS

Brexit: EU approves withdrawal deal

- On Sunday, the EU approved the UK's withdrawal agreement which covers the exit bill, residency rights and the Irish border;
- Earlier in the week, sterling rallied against the US dollar as the UK and EU agreed a draft declaration promising an 'ambitious, broad, deep and flexible partnership' after Brexit.
- **Omnis view: The Prime Minister must now bring the withdrawal deal to the House of Commons for a meaningful vote (the date has not been confirmed yet). With the outcome still far from assured, UK assets are likely to remain volatile.**

Equities: Global headwinds hamper tech and energy sectors

- It was a challenging week for US equities, as the tech and energy sectors weighed on performance;
- Shares in Apple and its suppliers fell due to disappointing sales in the latest iPhone, while concerns that trade tensions could hinder chipmakers dented sentiment towards the tech sector as a whole;
- Meanwhile, continued weakness in oil prices (see 'Commodities' section below) dragged down the energy sector.
- **Omnis view: While last week's moves were sector driven, they are symptoms of global risks including the impact of trade tensions between the US and China and slowing economic growth. The Federal Reserve is expected to raise interest rates at its next meeting in December, but these headwinds may give policymakers pause for thought in 2019.**

Global trade: Reports suggest hawkish US advisor to be side-lined

- Media reports suggested Peter Navarro, the adviser behind the White House's tough trade stance against China, will not be invited to a summit between US President Donald Trump and his Chinese counterpart Xi Jinping following the G20 meeting at the end of November.
- **Omnis view: With global growth apparently slowing, investors will keep a lookout for some kind of breakthrough in trade talks before the next round of tariffs takes effect in the new year.**

EU: Tensions over Italian budget rumble on

- Italian sovereign bonds rallied as the country's deputy prime minister Matteo Salvini claimed the coalition government might be willing to compromise on its draft budget;
- Earlier in the week, the EU recommended implementing disciplinary measures after it rejected the draft budget which Rome resubmitted ahead of the latest deadline.
- **Omnis view: Despite reaching out to the EU, Salvini refused to budge on the contentious budget deficit, suggesting the two sides could be facing protracted negotiations.**

Commodities: Trump pressures Saudi Arabia over oil prices

- Oil continued on its downward trajectory, as President Trump's appeal to Saudi Arabia to keep prices low offset the prospect of production cuts by OPEC and its partners.
- **Omnis view: While lower oil prices may please President Trump, they are weighing on global equity and high yield bond markets.**

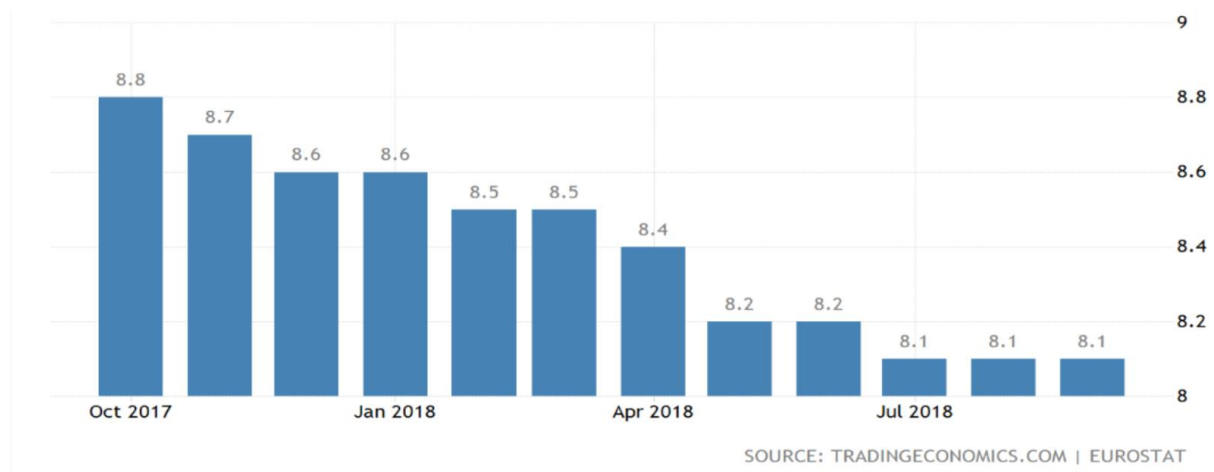
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LOOKING AHEAD - TALKING POINTS

Economic data

- Japan publishes its unemployment rate for October on Thursday;
- The EU releases October's unemployment rate on Friday.

EU unemployment rate



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