

MARKET UPDATE: PRIME MINISTER ANNOUNCES RESIGNATION

28 May 2019

LAST WEEK – KEY TAKEAWAYS

Brexit: May's resignation triggers Tory leadership contest

- Sterling rose against the US dollar after Theresa May announced she would resign as Prime Minister on 7th June;
- Mrs May's announcement triggered a leadership contest in the Conservative party, with Brexiter and former foreign secretary Boris Johnson the early favourite to succeed her;
- Meanwhile, the Conservatives and Labour suffered heavy losses in last week's EU elections in the UK which saw the recently founded Brexit party win the most seats in the European parliament;
- Based on support for remain or leave, the European election result shows the UK is still broadly split 50/50.
- **Omnis view: Sterling and UK equities remained calm in the face of Brexit uncertainty, as the Conservatives weigh up the growing field of candidates to replace Theresa May.**



Sterling vs US dollar for week commencing 20th May 2019 (source: ft.com)

Trade: China intensifies rhetoric

- US stocks fell on Thursday after the Chinese media branded the US the 'biggest troublemaker in the international community';
- Markets stabilised going into the weekend as US President Donald Trump sounded optimistic about trade talks resuming and suggested that Chinese tech company Huawei could be included in the final deal;
- Earlier in the week, President Trump issued a license allowing US companies to continue doing business with Huawei for three months.
- **Omnis view: A breakthrough looks unlikely at this point, but a proposed meeting between President Trump and his Chinese counterpart Xi Jinping at the G20 summit at the end of June may give both sides an incentive to make progress over the coming weeks.**

LOOKING AHEAD - TALKING POINTS

Economic data

- Friday- Japanese unemployment in April.

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