

MARKET UPDATE: POSITIVE EARNINGS DRIVE US EQUITIES

Tuesday 30 April 2019

LAST WEEK – KEY TAKEAWAYS

Markets: S&P 500 hits record high

- Better first-quarter earnings than expected helped the S&P 500 reach a record high on Tuesday;
- Industry bellwether Caterpillar beat forecasts, while Facebook shares rallied even though the company missed earnings expectations after setting aside \$3 billion to cover fines for privacy violations.
- **Omnis view: Despite concerns earnings would decline in the first quarter of the year, results have been encouraging so far and provided a catalyst for US equities.**



Performance of the S&P 500 for week commencing 22nd April 2019 (source: ft.com)

US: Economic growth beats forecasts

- The US economy exceeded expectations to grow by 3.2% in the first quarter of the year, according to a preliminary estimate by the Bureau of Economic Analysis.
- **Omnis view: Robust economic data helped the US dollar rally against other major currencies, although some of the underlying figures were disappointing- consumer spending started the year slowly, while rising business inventories may have skewed growth.**

Brexit: MPs to vote on withdrawal deal again?

- Sterling fell against the US dollar after media reports suggested the Prime Minister was planning another vote on her withdrawal deal on the basis that she would not bring it back during this parliamentary session if MPs rejected it again.
- **Omnis view: Whether or not Mrs May proceeds with another vote depends on the outcome of ongoing negotiations with Labour.**

¹ <https://www.bea.gov/news/2019/gross-domestic-product-1st-quarter-2019-advance-estimate>

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Commodities: Iran sanctions boost oil prices

- Oil prices rallied after the US told several countries which had been exempt from sanctions that they must stop importing oil from Iran.
- **Omnis view:** Rising oil prices are good news for energy-heavy indices like the FTSE 100 which hit an annual high on Tuesday. However, oil companies fell at the end of the week following an appeal from US President Donald Trump to lower prices.

LOOKING AHEAD - TALKING POINTS

Economic data

- Tuesday- EU unemployment rate for March;
- Friday- US non-farm payrolls for April.

Monetary policy

- Wednesday- Federal Reserve interest rate decision;
- Thursday- Bank of England interest rate decision.

Corporate earnings

- Alphabet and Amazon, the last two of the FAANG group of tech stocks, are among the companies reporting earnings this week, along with UK banks Lloyds and HSBC.

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