

MARKET UPDATE: US SHARES HIT ANOTHER RECORD HIGH

11th November 2019

LAST WEEK – KEY TAKEAWAYS

US: Trade optimism and strong earnings boost shares

- Optimism about progress in trade tensions (see below) and better-than-expected corporate earnings helped US shares hit another record high;
- Meanwhile, figures released last week showed the country's trade deficit- the difference between the volume of goods it imports and exports- shrunk and growth in the services sector beat forecasts in October, but productivity fell in the third quarter.
- **Omnis view: A trade resolution would boost sentiment, and although corporate earnings exceeded expectations, markets would welcome a return to growth in 2020.**

UK: Bank of England downgrades economic outlook

- The pound weakened against the US dollar after the Bank of England (BoE) left interest rates unchanged and downgraded its forecast for the UK economy due to Brexit and the global slowdown.
- **Omnis view: The likelihood of the BoE following the lead of other central banks seems to have increased as two members of the committee which is responsible for setting interest rates voted in favour of a 0.25% cut¹.**

Global trade: US and China to reduce tariffs

- Global shares rallied after Chinese officials announced they had agreed with the US to gradually remove tariffs-taxes on goods imported from abroad- imposed during the ongoing trade tensions between the two countries.
- **Omnis view: The Chinese had been insisting that the US remove all tariffs before they would agree a deal, so this latest development bodes well for future talks. However, US President Donald Trump denied that he had committed to any concessions.**

Japan: US trade deal boosts car industry

- Japanese shares rose after the country's foreign minister claimed the partial trade deal recently agreed with the US could eliminate tariffs on the domestic automobile industry.
- **Omnis view: The markets welcomed the minister's comments because US tariffs on Japanese cars would weigh heavily on some of the country's biggest companies.**

China: Exports fall again

- China's currency, the renminbi, weakened against the US dollar at the end of the week after figures showed exports-goods produced domestically but sold abroad- fell for the third month in a row in October.
- **Omnis view: A slowdown in exports shows that trade tensions with the US continue to hinder the Chinese economy, although October's figure beat forecasts.**

¹ <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2019/november-2019>

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LOOKING AHEAD - TALKING POINTS

Economic data

- Monday- UK economic growth in the third quarter;
- Tuesday- UK unemployment rate in September;
- Wednesday- UK inflation rate in October; US inflation rate in October;
- Thursday- Japanese economic growth in the third quarter; EU economic growth in the third quarter;
- Friday- EU inflation rate in October.

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