

# MARKET UPDATE: US EQUITIES FALTER AS TRADE TENSIONS ESCALATE

14 May 2019

## LAST WEEK – KEY TAKEAWAYS

### Trade: US raises tariffs on Chinese goods

- US equities fell as President Trump followed through on his pledge to increase trade tariffs on \$200 billion of Chinese goods;
- There were mixed messages from President Trump throughout the week, but equities recovered after he described the latest round of talks, which concluded on Friday, as ‘candid and constructive’.
- **Omnis view: The Chinese vowed to hit back, although the new tariffs only apply to goods shipped from Friday, so the two sides still have a short window to agree a deal.**

### UK: Prime Minister plans fourth vote on her deal

- Media reports suggested the Prime Minister is planning to hold a fourth vote on her Brexit withdrawal deal as she attempts to break the deadlock before the European elections on 23<sup>rd</sup> May;
- Meanwhile, the UK economy grew by 0.5% in the first quarter of 2019, driven by stockpiling ahead of the original Article 50 deadline of 29<sup>th</sup> March.
- **Omnis view: Parliament is unlikely to back Mrs May’s deal. Instead, she will have to reach a compromise with the Labour party that would probably include committing to a referendum on the deal.**



SOURCE: TRADINGECONOMICS.COM | OFFICE FOR NATIONAL STATISTICS

*UK gross domestic product (GDP) growth rate*

### Europe: German exports pick up in March

- European equities briefly rallied at the end of the week as the Federal Statistics Office reported that German exports unexpectedly rose in March, comfortably beating forecasts.
- **Omnis view: Germany is considered Europe’s ‘engine’, so any good news about its economy should boost sentiment towards the EU as a whole.**

<sup>1</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ihya/pn2>

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## LOOKING AHEAD - TALKING POINTS

### Economic data

- Tuesday- UK unemployment rate and wage growth for March;
- Thursday- EU balance of trade for March.

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