

MARKET UPDATE: US SHARES RISE AMID RENEWED HOPE FOR FURTHER ECONOMIC SUPPORT

12th October 2020

LAST WEEK – KEY TAKEAWAYS

US: Trump's change of heart boosts shares

- US markets rose as the prospects improved for a further round of support measures to help the US economy recover from the pandemic;
- The markets fell at the start of the week when US President Donald Trump, just back in the White House following his hospitalisation for coronavirus, instructed officials to halt negotiations with the Democrats until after the election on 3rd November;
- However, President Trump changed his tone hours later, tweeting that he would agree to some specific measures, such as handing money directly to individuals, helping US shares to recoup the earlier losses.
- **Omnis view: As the impact of March's measures continues to fade, a new relief package, which played a crucial role in helping the stock markets recover from the correction in March and April, has become a campaign issue in the run-up to the presidential election. The Republicans and Democrats appeared to be making progress by the end of the week, but whether they come to an agreement before the election remains to be seen.**

UK: Talks expected to continue past unofficial deadline

- The pound weakened against the US dollar after media reports suggested the UK would walk away from Brexit negotiations this week unless further progress was made towards a free trade deal;
- The pound bounced back as the UK and EU pledged to explore compromises on the most contentious issues, and cabinet office minister Michael Gove claimed to be optimistic that the two sides could conclude a deal;
- Meanwhile, the UK's recovery from the pandemic slowed in August, as the economy grew by [2.1%](#) compared to a month earlier, well below forecasts.
- **Omnis view: Despite the optimism, Brexit uncertainty looks set to continue in the immediate future. The EU's chief negotiator Michel Barnier said he expected negotiations to carry on past the unofficial deadline of the EU summit which starts on Thursday.**

Europe: Healthy increase in retail sales in August

- European shares rose after figures released by statistics agency Eurostat showed spending by the region's shoppers beat expectations in August, growing by [3.7%](#) compared to a year earlier.
- **Omnis view: The increase in consumer spending is encouraging for the EU economy, not just because it makes a significant contribution to growth, but it also indicates people are venturing out again. However, the second wave of infections lately may slow this trend in future figures.**

LOOKING AHEAD - TALKING POINTS

Economic data

- Tuesday- Chinese imports, exports and balance of trade in September; UK unemployment rate in August; US inflation rate in September;
- Thursday- Chinese inflation (the rate at which prices rise) in September;
- Friday- US retail sales in September.

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Corporate profits

- US banks JP Morgan and Citigroup kick off the latest earnings season when they report profits for the third quarter on Tuesday, followed by Goldman Sachs, Bank of America, Wells Fargo, Morgan Stanley and Bank of New York Mellon later in the week.

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