

MARKET UPDATE: SHARES WAVER AS US STRUGGLES TO CONTAIN VIRUS

13th July 2020

LAST WEEK – KEY TAKEAWAYS

Markets: Safe haven assets benefit from rise in infections

- It was a mixed week for global shares as new cases and a rising death toll in several US states threatened the country's economic recovery and weighed on the markets;
- Government bonds benefited as investors moved their money out of shares and into assets that are traditionally considered safe havens during times of market turbulence.
- **Omnis view: Shares continue to plateau after a sharp initial rebound from the drop in February and March. The markets seem to be weighing the ongoing threat of the pandemic against the benefit of government and central bank support. The outlook currently hangs in the balance but could be tipped by companies publishing their second quarter results (see 'Looking ahead' section).**

UK: Chancellor delivers summer statement

- The Chancellor Rishi Sunak announced a new round of measures worth £30 billion to help the UK economy recover from the coronavirus crisis, including job subsidies, a VAT cut in the leisure and hospitality industries and an increase in the stamp duty threshold.
- **Omnis view: The government's focus on the creation and preservation of jobs is welcome. However, the relatively muted reaction of UK shares and the pound suggests the markets expect the Chancellor to take further steps to support the economy, which he hinted at in his speech.**

Europe: Record spending by shoppers in May

- [Spending by European shoppers beat expectations to rise by 17.8% May compared with a month previously, the biggest monthly increase on record, as countries started easing lockdown restrictions;](#)
- [Meanwhile, the European Commission lowered this year's growth forecast for the EU economy to a drop of 8.3% from its previous prediction of 7.4%.](#)
- **Omnis view: The increase in consumer spending shows the European economic recovery is underway. It also bodes well for regions that have been slower than the EU to come out of lockdown, as long as they can avoid serious surges of new infections.**

Asia: Media reports boost shares

- Chinese shares rose after local media reports praising the strength of the country's stock market encouraged smaller investors to buy into the rally.
- **Omnis view: These media outlets are backed by the government so the reports could be seen as an indirect attempt to accelerate China's recovery from the pandemic. However, sharp reversals have followed similar efforts to boost the domestic stock market in the past.**

LOOKING AHEAD - TALKING POINTS

Economic data

- Tuesday- Chinese imports, exports and balance of trade in June; UK economic growth in May; US inflation (the rate at which prices rise) in June;
- Wednesday- UK inflation rate in June;
- Thursday- Chinese economic growth in the second quarter and unemployment rate in June; UK unemployment rate in May;
- Friday- US retail sales in June.

Monetary policy

- Wednesday- Bank of Japan interest rate decision;
- Thursday- European Central Bank interest rate decision.

Corporate earnings

- US banks, including Citigroup, JPMorgan, Wells Fargo, Goldman Sachs, Morgan Stanley and Bank of America announce profits for the second quarter of the year.

EU recovery fund

- EU leaders meet on Friday for the latest round of talks about a package of economic measures to help the region's economy recover from the coronavirus pandemic.

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