

# MARKET UPDATE: TECHNOLOGY SHARES CONTINUE DRIVING US MARKETS

24<sup>th</sup> August 2020

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## LAST WEEK – KEY TAKEAWAYS

### Markets: US shares hit record highs

- US shares ended the week higher having set new records on two occasions, although the gains were capped by a gloomy outlook from the Federal Reserve (US central bank) and a tick up in claims for unemployment benefits (see US section);
- Elsewhere, European and Japanese markets fell following the release of disappointing economic figures (see Europe and Japan sections).
- **Technology firms like Microsoft, Apple and Facebook, among the main drivers behind the rebound by US markets since the correction earlier in the year, helped the S&P 500 reach record highs. As we warned last week, they are already looking expensive.**

### UK: Brexit talks end in stalemate

- The pound weakened against the US dollar after the latest round of Brexit negotiations ended in stalemate and the EU's chief negotiator Michel Barnier cast doubt on whether the two sides would manage to conclude a free trade deal before the deadline of 31<sup>st</sup> December;
- However, there was better news for the UK economy as spending by shoppers surpassed pre-pandemic levels in July and business activity hit its highest point in several years in August.
- **Omnis view: These figures bode well for the UK's economic recovery from the pandemic, but Brexit uncertainty looks set to continue for the time being. The next round of talks begins on 7<sup>th</sup> September, and the EU hopes to approve a deal at its summit on 15<sup>th</sup> October.**

### US: Uncertainty 'elevated', according to Federal Reserve

- In the minutes from its latest meeting held in July, the Federal Reserve warned about the uncertainty of the economic outlook due to the rate of new infections and the fading impact of the measures introduced by the government in March;
- Meanwhile, business activity increased in August to its highest level in over a year, but the number of workers claiming unemployment benefits for the first time rose above one million again.
- **Omnis view: While the Fed did not commit to any measures, further interest rate cuts look unlikely at this stage. Several officials suggested more government support is required, although politicians are still struggling to agree on the terms of a new relief package.**

### Europe: Business activity slows in August

- In contrast to the UK and US, business activity in the EU failed to meet expectations in August, as the region's score based on a survey of purchasing managers fell to [51.6](#).
- **Omnis view: A score over 50 means business activity is still expanding, but the slower rate suggests that new infections in several countries and the subsequent reintroduction of lockdown restrictions are taking a toll.**

### Japan: Effective pandemic response limits economic damage

- Japanese shares fell after figures released by the Cabinet office showed the country's economy contracted by [9.9%](#) in the second quarter compared to a year previously.
- **Omnis view: This figure did not come as a surprise as Japan spent most of April and May in lockdown. However, the country outperformed other major economies as it responded to the pandemic quicker, so its restrictions were not as strict.**

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## LOOKING AHEAD - TALKING POINTS

### Central banks

- This year's annual meeting of central bankers, which usually takes place at Jackson Hole in Wyoming, US, will be held online, starting on Thursday. Investors monitor this meeting closely for any hint at upcoming policy changes.

Omnis Investments is now tweeting updates. Follow us at: @OmnisInvest.

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