

# MARKET UPDATE: TECHNOLOGY SELL-OFF WEIGHS ON US SHARES

7<sup>th</sup> September 2020

## LAST WEEK – KEY TAKEAWAYS

### Markets: Tech shares retreat

- Despite hitting new highs earlier in the week, US shares tumbled on Thursday following a sell-off in several of the technology companies that had been driving the markets since the correction in February and March;
- The 'FAAMG' shares (Facebook, Apple, Amazon, Microsoft and Google's parent company Alphabet) all fell, although they regained some of those losses on Friday as investors took the opportunity to buy them at lower prices.
- **Omnis view: While impossible to predict, this correction does not come as a surprise. The share prices of US technology companies, particularly those listed above, have looked expensive for some time. It did not appear to be triggered by any particular news and perhaps was simply driven by profit-taking after recent gains.**

### Brexit: EU blames UK for delaying talks

- The pound weakened against the US dollar as Brexit uncertainty remained elevated following a meeting between the UK's chief negotiator David Frost and his EU counterpart Michel Barnier;
- Mr Barnier claimed the UK was delaying progress in negotiations over a free trade deal because of an unwillingness to show flexibility on key issues such as fishing rights.
- **Omnis view: Both sides seem to have been posturing recently ahead of the next round of talks starting in London tomorrow. Whether or not they manage to make a breakthrough before the initial deadline of the EU summit in mid-October remains to be seen. In the meantime, uncertainty will hover over UK assets.**

### US: Encouraging signs from jobs market

- [The US economy added 1.4 million jobs in August according to the non-farm payroll report, a figure closely monitored by the Federal Reserve \(US central bank\), and the country's unemployment rate dropped to 8.4% from 10.2% in the previous month.](#)
- **Omnis view: These latest employment figures are encouraging for the US economy and its recovery from the pandemic as they indicate companies are hiring again. Nonetheless, unemployment remains high and further government support is likely to be required, an issue complicated by political jostling ahead of November's presidential election.**

### Europe: Pandemic causes deflation

- European shares fell at the start of the week after figures released by the EU's statistics agency showed prices declined by [0.2%](#) in August, an effect known as deflation (as opposed to inflation where they rise), due to a range of issues caused by the pandemic but primarily lower oil prices.
- **Omnis view: Deflation is a concern for an economy as it is associated with slower consumer spending and a rising burden of debt. However, European shares bounced back relatively quickly because the European Central Bank, which meets next week, may be forced to introduce further market-friendly measures to offset the effect.**

## LOOKING AHEAD - TALKING POINTS

### Economic data

- Monday- Chinese imports, exports and balance of trade in August;
- Wednesday- Chinese inflation in August;
- Friday- UK economic growth in July; US inflation rate in August.

### Central banks

- Thursday- European Central Bank interest rate decision.

Omnis Investments is now tweeting updates. Follow us at: [@OmnisInvest](#).

This update reflects Omnis' view at the time of writing and is subject to change.

The document is for informational purposes only and is not investment advice. We recommend you discuss any investment decisions with your Openwork financial adviser. Omnis is unable to provide investment advice. Every effort is made to ensure the accuracy of the information but no assurance or warranties are given.