

# MARKET UPDATE: MIXED WEEK FOR SHARES AS TRAVEL RESTRICTIONS RETURN

17<sup>th</sup> August 2020

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## LAST WEEK – KEY TAKEAWAYS

### Markets: How long can US shares outperform?

- Tensions between the US and China and concerns about when US politicians will agree on the next round of economic support measures weighed on stock markets;
- Though little changed over the week, US shares ended Friday within touching distance of record highs, while European shares initially rose strongly before giving up some of these gains as the UK introduced new restrictions for travellers returning from the mainland.
- **Omnis view: Global shares have generally plateaued since rebounding sharply in March, but the US has bucked the trend, thanks in part to the strong performance of technology firms like Amazon and Apple. How long the US markets can continue to rely on these companies remains to be seen, given questions over their valuations.**

### UK: Economy shrinks in second quarter

- The full impact of the coronavirus pandemic on the UK economy emerged as figures released by the Office for National Statistics showed it shrank by [21.7%](#) in the second quarter compared with the previous year.
- **Omnis view: This figure did not come as a surprise as the UK spent most of April in lockdown. The country is now officially in recession following two consecutive quarters of contraction, although it is worth remembering economic growth returned in May and June, and the Bank of England thinks growth could beat forecasts in the third quarter.**

### Global: Economic recovery at different stages

- US shoppers increased their spending in July for the third month in a row, although at a slower pace than expected, and the number of new workers claiming unemployment benefits dropped below one million for the first time since March.
- Figures released by statistics agency Eurostat showed employment in the EU fell by a record [2.7%](#) in the second quarter compared with a year earlier.
- **Omnis view: The US and EU are at different stages of the pandemic, making a comparison of their economic recoveries somewhat challenging. The outlook for both economies remains highly dependent on the emergence or avoidance of a second wave of infections and the policy measures taken to counter the threat.**

## LOOKING AHEAD - TALKING POINTS

### Economic data

- Wednesday- UK inflation (rate at which prices rise) in July;
- Friday- Japanese inflation in July; UK retail sales in July; early estimates of August's business activity in the UK, EU and US.

### Brexit

- The UK and EU resume talks about a free trade deal today.

### Federal Reserve

- The US central bank releases the minutes from its latest meeting on Wednesday.

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.

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