

# MARKET UPDATE: VACCINE BREAKTHROUGH BOOSTS SHARES

16<sup>th</sup> November 2020

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## LAST WEEK – KEY TAKEAWAYS

### Markets: More certain outlook lifts shares

- Global shares rallied at the start of the week after pharmaceutical firms Pfizer and BioNTech announced a coronavirus vaccine which they have jointly developed proved to be effective in more than 90% of trials;
- There was further certainty for investors as Joe Biden emerged as the likely winner of the close-fought US presidential election, although President Trump refused to concede.
- **Omnis view: While the second wave of the virus continues to spread, and President Trump seeks to contest the result of the election through the courts, last week's developments are positive for the markets. They should support the global economic recovery and provide a level of certainty which has been lacking for most of the year.**

### UK: Pound falls despite record growth

- The pound weakened against the US dollar after figures published by the Office for National Statistics showed the UK economy grew by **15.5%** in the third quarter of the year compared to the previous quarter;
- Meanwhile, the UK unemployment rate rose to **4.8%** in the three months to September as the government reduced wage subsidies offered through the furlough scheme.
- **Omnis view: While the UK economy grew at its fastest pace on record in the third quarter, the pound fell because it was slightly below expectations and at a slower rate than other major economies such as the EU and US. The government has taken steps to provide further support, including extending the furlough scheme until March 2021.**

### US: Inflation flat in October

- According to figures released by the US Bureau of Labor Statistics, inflation (the rate at which prices rise) did not change in October compared to a month previously, and it increased by **1.2%** compared with a year ago.
- **Omnis view: Inflation is the main economic figure monitored by the Federal Reserve (US central bank) when it comes to setting interest rates, so the longer it remains subdued, the longer we can expect rates to remain at historic lows.**

### Commodities: Optimism about rising demand boosts oil prices

- The prospect of a vaccine and a subsequent boost in demand also benefited oil prices which rose to their highest levels since August in the middle of the week.
- **Omnis view: The slowdown in economic activity due to lockdown has reduced demand for oil, so any indication that restrictions may ease is positive. Rising oil prices support energy-heavy stock markets like the UK's FTSE 100.**

## LOOKING AHEAD - TALKING POINTS

### Economic data

- Monday- Japanese economic growth in the third quarter; Chinese retail sales in October;
- Tuesday- US retail sales in October;
- Wednesday- UK inflation in October;
- Friday- Japanese inflation rate in October; UK retail sales in October.

### Brexit

- Brexit negotiations continue this week as the UK and EU try to agree a free trade deal ahead of the end of the transition period on 31<sup>st</sup> December.

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