

MARKET UPDATE: MARKETS FLUCTUATE DESPITE VACCINE OPTIMISM

23rd November 2020

LAST WEEK – KEY TAKEAWAYS

Markets: Vaccine rally loses steam

- Global shares rallied at the start of the week as Moderna became the second firm to announce a successful trial of a coronavirus vaccine;
- The markets fluctuated later in the week as the optimism was tempered by concerns about an increase in new infections in the US and Europe and the subsequent tightening of lockdown restrictions.
- **Omnis view: The development of a vaccine is good news for companies that are more exposed to economic developments, like the finance and leisure sectors, which have suffered due to the slowing of activity during lockdown. However, until countries start administering the vaccine, the markets should remain sensitive to measures taken to contain the virus.**

UK: Consumer spending rises unexpectedly in October

- UK consumers seemed to start their Christmas shopping early this year ahead of the lockdown in November as retail sales beat expectations to rise by [1.2%](#) in October compared to a month previously;
- Inflation (the rate at which prices rise) also surpassed forecasts to increase by [0.7%](#) in October compared to a year earlier.
- **Omnis view: The rise in retail sales is an encouraging sign for the UK economy as it contributes a significant portion of growth. The figure will most likely fall in November, but with lockdown set to end as planned on 2nd December, it should bounce back next month.**

US: Retail sales slow in October

- US shares fell after figures released by the US Census Bureau showed consumer spending increased by [0.3%](#) in October compared to the previous month, a much slower pace than expected.
- **Omnis view: Last month's disappointing retail sales reinforces the need for another package of relief measures to help offset the impact of the pandemic on the US economy. However, it is unlikely to arrive before the transition to the new administration in the White House in January.**

Europe: Relief package delayed

- The euro weakened against the US dollar after a row over political interference forced Hungary and Poland to veto the EU's budget and the economic relief package designed to support the region's recovery from the pandemic.
- **Omnis view: While smaller than other major economies, the markets welcomed the €750 billion of measures agreed in July so any delay will cause concern. Whether this political dispute is enough to derail the agreement remains to be seen.**

Japan: Economic growth beats expectations

- The Japanese economy beat forecasts to grow by [5%](#) in the third quarter compared to the previous quarter, the first time it has expanded since the middle of 2019.
- **Omnis view: While Japan's economy is recovering at a slower rate than the US and Europe, and the number of new infections is rising again, the country has avoided going into a second lockdown so far, which bodes well for growth in the final quarter of the year.**

LOOKING AHEAD - TALKING POINTS

Economic data

- Monday- early estimates of business activity in the UK, EU and US;
- Saturday- Japanese retail sales in October.

UK spending review

- Chancellor of the Exchequer Rishi Sunak announces plans for government spending on Wednesday as he continues to try to offset the impact of the pandemic on the UK economy.

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