

# MARKET UPDATE: MARKETS RALLY AS BIDEN PROJECTED TO BECOME NEXT US PRESIDENT

9<sup>th</sup> November 2020

## LAST WEEK – KEY TAKEAWAYS

### Markets: Shares rally as Biden closes in on White House

- Global markets rose as Joe Biden, the challenger, edged towards victory in the US presidential election which ended up being much closer than many polls predicted;
- The Democrats seem likely to remain in control of the House of Representatives, while the Republicans look set to retain the Senate (the upper house of Congress), but the results will not be confirmed until January.
- **Omnis view: Although several states are still counting votes, on Saturday evening most media outlets in the US projected that Mr Biden would become the next president. Should Mr Biden win, the outlook for the US economy will be uncertain because he will probably have to compromise with the Republicans about the scope of a further round of support measures.**

### UK: BoE reacts to lockdown with more QE

- Following its latest meeting, the Bank of England (BoE) kept interest rates on hold and increased its bond-buying programme, known as quantitative easing (QE);
- The BoE also predicted that the UK would slip into recession for a second time this year, referred to as a double-dip recession, due to the return to lockdown;
- **Omnis view: Once again, the central bank has stepped in to help offset the impact of the pandemic on the UK economy. While the short-term outlook is gloomy, the BoE forecasts a recovery in early 2021, as long as the coronavirus can be contained.**

### US: No change to Fed policy

- The Federal Reserve (US central bank) left interest rates unchanged after its meeting on Thursday and pledged to stick with its current level of QE;
- There was some good news for the US economy the following day when the non-farm payroll report, a measure closely monitored by the Fed, showed the number of new jobs created in October beat expectations.
- **Omnis view: Jay Powell, Fed chair, warned the steady increase in new coronavirus infections could disrupt the country's recovery. Mr Powell also emphasised the importance of government spending to support the US economy, but as we explain above, if or when that might materialise remains to be seen.**

### EU: Consumer spending slows in September

- Spending by European shoppers came in below expectations in September, falling by [2%](#) compared to the previous month, its biggest drop since the region went into lockdown in April.
- **Omnis view: September's fall in consumer spending is unfortunate for the EU, especially considering it occurred before the second wave of infections. However, the European Central Bank recently pledged to take additional steps to support the region's economy, while member states should receive funds from the €750 billion relief package before the end of the year.**

### China: Exports continue to recover

- Chinese exports (goods produced domestically and sold abroad) beat expectations to rise by [11.4%](#) in October compared to a year previously, the highest level since March 2019, but imports (goods moving in the opposite direction) fell below forecasts at [4.7%](#).
- **Omnis view: The growth in exports is further evidence that the Chinese economic recovery from the pandemic is well underway. It also suggests demand remains strong from countries trading with China, although restrictions are tightening again in Europe and the US.**

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## LOOKING AHEAD - TALKING POINTS

### Economic data

- Tuesday- Chinese inflation (the rate at which prices rise) in October; UK unemployment rate in September;
- Thursday- UK economic growth in the third quarter; US inflation in October.

### Brexit

- Brexit negotiations resume this week as the deadline looms to agree a free trade deal, with both sides warning that they still must overcome significant differences.

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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