

MARKET UPDATE: CHINA KICKS OFF PARLIAMENTARY SEASON WITH GDP FORECAST

5th March 2018

LAST WEEK – KEY TAKEAWAYS

No clear winner in Italian election

Sunday's Italian general election appears to have delivered a hung parliament; shrugged off by markets on Monday morning with European equities in positive territory. With half the ballot counted, it seems almost certain that none of the three main factions will be able to rule alone, though it is noted that the populist Five Star Movement and the anti-immigration Eurosceptic Northern League appear to have made strong gains. Coalitions can now be formed, or a re-election called. A drawn-out tense period of negotiating is now likely to ensue.

May sets out post-Brexit trading proposals

In a major speech on Friday, prime minister Theresa May set out what she sees as five tests to guide the UK in the latest round of Brexit negotiations with the EU. These are: that any deal must respect the referendum result; that the deal must not break down; that jobs and security are protected; that any deal must bring the country together; and that it must represent a "modern, outward-looking and tolerant" Britain. A transition period deal is expected to have been agreed by the time of the next Brussels summit on 22nd-23rd March.

Trump: "trade wars are good"

Global stock markets took a fall late in the week amid fears of a trade war, after president Donald Trump said the US would impose tariffs of 25% on steel imports and 10% on imported aluminium. The move is aimed at protecting US producers, but risks retaliation from major trade partners such as China, the EU and Canada. Trump tweeted: "When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win".

US fourth-quarter growth downgraded

Gross domestic product (GDP) for the US in the last three months of 2017 has been revised lower to 2.5% from 2.6%. According to the Commerce Department, the downward revision was caused mainly by inventories - raw materials, work in progress and finished goods - removing more from growth than was previously reported. Consumer spending, the biggest contributor to the economy, was unrevised at a 3.8% growth rate.

Chinese manufacturing gauge falls

China's manufacturing purchasing managers' index (PMI) - which measures the performance of the Chinese manufacturing sector - suffered its largest fall since 2011 in February, attributed to a slowdown caused by the workers' lunar new year holidays. In 2017 the holiday stretched from the end of January to early February, while this year's holiday fell entirely in February, making for an unfavourable comparison. The reading from the Chinese National Bureau of Statistics was 50.3, down a point from January. An index reading of 50 or above generally is a sign of expansion in the economy.

LOOKING AHEAD - TALKING POINTS

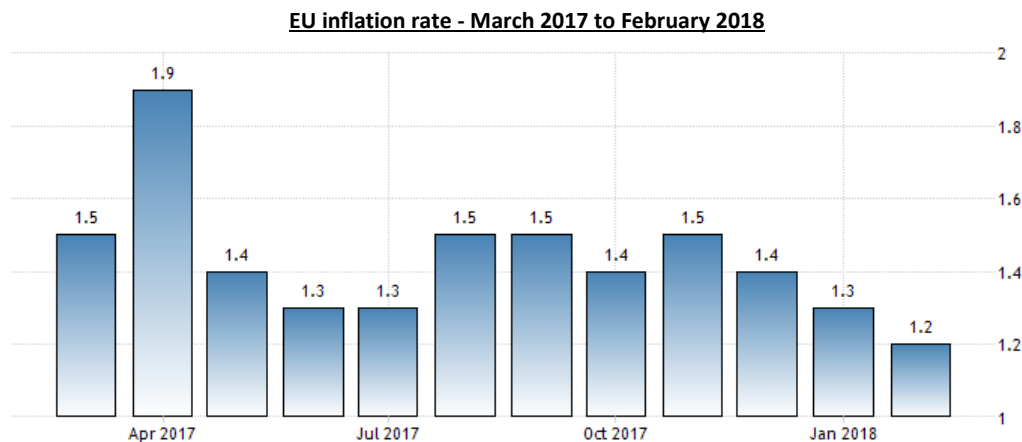
ECB set for March meeting

The European Central Bank meets this week, with investors watching very closely for any change in policy stance. While no change is expected on headline interest rates this month, the bank is still expected to end its bond purchase scheme (quantitative easing or 'QE') by the end of the year. However, given recent concerns about market turbulence, the strong euro and a dip in

The Omnis Managed Investments ICVC and the Omnis Portfolio Investments ICVC are authorised Investment Companies with Variable Capital. The authorised corporate director of the Omnis Managed Investments ICVC and the Omnis Portfolio Investments ICVC is Omnis Investments Limited (Registered Address: Washington House, Lydiard Fields, Swindon, SN5 8UB) which is authorised and regulated by the Financial Conduct Authority, 25 North Colonnade, London E14 5HS. Omnis Investments Limited does not offer investment advice nor make recommendations regarding investments. Potential investors are particularly advised to read the specific risks and charges applicable to the Funds which are contained in the Prospectus and Key Investor Information Documents (KIIDs).

Omnis Investments Limited is registered in England and Wales under registration number 06582314 (Registered Office: Washington House, Lydiard Fields, Swindon SN5 8UB).

inflation, analysts believe policy makers are likely to hold off making any announcements until late spring or summer. Inflation dipped to 1.2% last month, its lowest in 14 months, comfortably below the ECB's target of close to 2%.



Source: Eurostat, Tradingeconomics.com

China kicks-off parliamentary season with GDP forecast

Fresh into the new year, the Chinese parliament opens this week – with the first pronouncement expected to be an economic growth target for this year at around 6.5%. Much coverage has recently focused on a constitutional amendment that lifts presidential term limits; effectively granting president Xi Jinping the right to stay in office indefinitely should he wish. The National People's Congress (NPC) is meeting in Beijing's Great Hall of the People for a session that will last around two weeks. A political reshuffle is also expected, with a shakeup of certain government departments.

Recent events have shown China's willingness to take centre stage as a global superpower, while actions such as US trade tariffs (mentioned above) suggest tensions will be heightened over trade with the west.

Chinese annual GDP growth rate – January 2015 to January 2018



Source: National Bureau of Statistics, Tradingeconomics.com

THE OMNIS VIEW

Through a well-diversified approach to asset allocation, the Omnis investment team aims to defend and grow the value of your portfolio through market cycles. Investors had expected a hung parliament in Italy, which explains the muted reaction from markets. However, any resulting coalition between Five Star and Eurosceptic parties could be unwelcome news for the eurozone. The Omnis European Equity fund is underweight Italian equities, therefore relative to the benchmark would offer some protection if such a scenario did materialise.

Omnis Investments is now tweeting daily updates. Follow us at: @OmnisInvest

The Omnis Managed Investments ICVC and the Omnis Portfolio Investments ICVC are authorised Investment Companies with Variable Capital. The authorised corporate director of the Omnis Managed Investments ICVC and the Omnis Portfolio Investments ICVC is Omnis Investments Limited (Registered Address: Washington House, Lydiard Fields, Swindon, SN5 8UB) which is authorised and regulated by the Financial Conduct Authority, 25 North Colonnade, London E14 5HS. Omnis Investments Limited does not offer investment advice nor make recommendations regarding investments. Potential investors are particularly advised to read the specific risks and charges applicable to the Funds which are contained in the Prospectus and Key Investor Information Documents (KIIDs).

Omnis Investments Limited is registered in England and Wales under registration number 06582314 (Registered Office: Washington House, Lydiard Fields, Swindon SN5 8UB).