

US-China trade deal

The Noise

- After an almost two-year trade war that has weighed heavily on the global economy, the US and China have finally signed an agreement to cease hostilities. The deal includes a commitment by China to purchase \$200bn worth of US exports and to enforce stricter intellectual property laws, one of the main reasons given by the Trump administration for starting the confrontation in the first place. However, the limited scope of the agreement does not address some of the biggest issues from the previous two years, including the bulk of US tariffs on Chinese imports and commercial cyber-theft in China.
- After Thomas Cook declared bankruptcy last September, Flybe has been rescued from a similar fate by a UK government bailout. Flybe, Britain's biggest regional airline, has suffered in the last few years from shrinking demand due to Brexit uncertainty and a slump in the value of the pound, especially damaging for a company whose costs are primarily in dollars and earnings primarily in sterling.
- According to data published by the ONS on Wednesday, UK inflation fell to 1.3% in December of last year, the lowest it has been in more than three years. Multiple members of the Bank of England's Monetary Policy Committee have publicly disclosed their intentions to vote for an interest rate cut at the Committee's next meeting at the end of January.

The Numbers

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The Nuance

The Bank of England's Monetary Policy Committee looks set to lower interest rates later this month as recent reports from the Office of National Statistics show weak UK economic performance in the run-up to the shock December election. Our view is that the Committee members are focusing on weak short term indicators amidst the uncertainty surrounding the election. Whilst we see why the Committee may be motivated to take this decision, we still see long term inflationary pressures in the economy which could drive the Committee to reverse any rate cuts at a later date.

Asset prices continue to be influenced by geo-political factors. After last week saw stock markets fall in response to the US-Iran tensions, this week has featured a rally as markets trend

upwards with investors finally able to see an end in sight for the US-China trade war. It's good to see positive action taken to alleviate some of the tension between the two nations and this is constructive for global economic conditions. As the global economy improves, we remain confident on the positive outlook for equities and continue to see opportunities for long-term returns in high quality companies - our focus remains on these durable assets.

Quote of the week

"The type of music a dog listens to is important." Dr Samantha Gaines, RSPCA dog welfare expert.

This week, Spotify has released a number of playlists for a rather unusual target audience. The online streaming service has compiled content specifically for the enjoyment of pets, including a podcast for dogs. Users can listen to and download songs chosen by experts for their dog, cat, iguana, hamster, or bird. Experts say that playlists are based on the animal's characteristics and their owner's tastes, intended to allow people to listen alongside their pets. The dog podcasts feature dog-directed praise, stories, affirmation messages and reassurance.

Source: [independent.co.uk](https://www.independent.co.uk)