

Markets on alert over new Covid variant omicron but oil and shares rally

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[IL prices](#) and [stock markets](#) recovered somewhat today after a heavy plunge on Friday, but the mood remains anxious as [investors](#) seek more information about the [Omicron Covid-19](#) variant.

In the face of the new pandemic threat, there is now serious doubt that the [Bank of England](#) will feel able to increase [interest rates](#) in December as many in the [City](#) had hoped and expected.

Markets across the globe tumbled at the end of last week as news of the new variant first emerged. New cases have been discovered in the UK, Netherland and France increasing calls for tougher rules on social distancing and possibly lockdowns.

Japan announced a ban on foreigners from entering the country. Tokyo shares fell nearly 2% and Hong Kong's Seng index was down almost 1%.

In London the FTSE rallied, up 56 points at 7100.

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Susannah Streeter at Hargreaves Lansdown, says investors are looking for signs of optimism.

“Amid the doom which took hold as doors were slammed shut on travel routes from Africa and increased restrictions were imposed, there are glimmers of hope. There are reports from doctors in South Africa that Omicron infections don't seem more severe and the World Health Organisation's appeal for caution also appears to have calmed some nerves.”

The oil price rose by 4%, up \$2.94, to \$75.66 a barrel. Airline shares such as EasyJet and Ryanair also recovered some of Friday's losses.

But the wider concern was that a winter lockdown is possible, which would not bode well for the pound, economic growth or leisure and travel shares.

There are signs that consumers remain buoyant. Consumer credit rose by £0.7 billion in October figures today showed, mortgage borrowing was up £1.6 billion.

Capital Economics said: “Overall, the data offer some encouraging signs that households' became a bit more willing to borrow in October. But the growing risk of a resurgence in virus infections and/or tighter restrictions mean that the outlook has darkened somewhat. That threatens to put any plans by members of the Monetary Policy Committee to raise interest rates in December on ice.”

Russ Mould at AJ Bell said some investors may have overreacted on Friday. But he added: “Markets still remain on heightened alert. We will almost certainly see more reports of Omicron spreading to different places, as has been reported this morning with cases in Scotland. But key to deciding future

market movements will be data on the impact of the variant and further government decisions.”

Fears are growing about the health of the UK’s manufacturing sector.

Trade body Make UK said the sector is facing “an unprecedented combination of a post-Covid credit, cash and costs crunch”.

Inflation in Spain has hit its highest level in 30 years, jumping from 5.4% in October to 5.6% in November.