



CIO OFFICE MORNING MARKET WRAP – Monday August 3rd, 2020. ALSO AVAILABLE ON ALEXA

Last week was positive on all the major asset classes we follow, and contributed to the same picture for July. The month saw Gold gaining almost 11%, followed by Emerging Market stocks, up 9%, while all segments of fixed income benefitted from both lower interest rates and tighter spreads. The hierarchy was similar over the week with Gold up 4%, Emerging Market equities up 1.8% and all other markets delivering modestly positive returns. This happened despite terrible numbers being released for the world economy in the second quarter.

In annualized rate, GDP collapsed by respectively -32.9% in the US and -42.8% in the Euro area. Numbers are awful, and point to an annualized -15% for the world as a whole in Q2. They were however slightly better than what the consensus was expecting, and more recent data confirm a recovery, even if its pace is softening in the US as the virus is not yet under control there.

Consumer confidence declined, and initial jobless claims rose. Staying in the US, earnings from big tech companies were overall very strong, leading to a +5% weekly performance of US technology sector. The Fed confirmed being committed to using all available tools to support the economy. Having said that, expiring income support from the US government has not been addressed yet.

The talks of American lawmakers over an enhanced virus-relief package are going to be one of the key areas to watch in the coming days, along with key monthly numbers, starting with monthly PMIs and the US monthly job report at the end of the week.

In the meantime, the early hours of trading in Asia show a mixed start to August with significant differentiation. Stocks are sharply up in Japan, helped by a weaker Japanese Yen, but only slightly up in China and down in Hong-Kong.

While strong US tech earnings are a positive driver, the Trump administration is poised to announce a ban of Chinese owned TikTok in the US due to national security concerns. Gold continues to trade near record highs at \$1974 an ounce, and Oil is slightly down.

As it is often the case, the US will keep on dominating headlines in the week ahead, not only through macro data and fiscal support negotiations, but also on rising geopolitical tensions with China, which could broaden beyond TikTok, and of course, on the pandemic itself. Infections are picking up again in some US States and the option of renewed lockdowns is still on the table.

Stay safe.

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