



CIO OFFICE MORNING MARKET WRAP – Sunday July 5th, 2020. ALSO AVAILABLE ON ALEXA.

Global equities have begun the third quarter of 2020 on a high note and were up 3.3% last week led by improving economic data right from China to the US. Emerging markets are quickly catching up with developed market performance and were up 3.7% last week led by China which gained 5.2% and India which was up 3.6%. In our region the KSA equity market gained 1% last week whilst the Dubai market lost 1% and Abu Dhabi closed positively. U.S. Equities ended the holiday shortened week higher across all major indices. The S&P 500 closed the week +4.1% and the NASDAQ +4.6%. Brent finished the week gaining almost 6% at \$42.8/ bbl while Gold settled slightly higher at \$ 1775. Treasuries were slightly firmer, U.S. 10 year yield fell to 0.67%. The USD was largely weaker vs EM currencies, the Euro and Pound and stronger vs the Yen. Indonesia's rupiah slumped on concerns the Central Bank may be monetizing debt while India's Rupee rallied.

Markets were pushed higher, initially driven by vaccine & stimulus hopes, and then by better than expected economic and employment data. This adds credibility to the recovery as we are seeing job creation. June was a record month for US job gains with 4.8 million jobs added (higher than the 3.06 million consensus estimate) bringing the unemployment level down to

11.1% (below the 12.4% consensus estimate). The majority of the jobs gained last month were service industry related, which has been the area hit hardest from COVID-19 closures. Chinas Caixin Services PMI surged to a 10 year high of 58.4 last month, indicating an accelerating recovery.

The main market drivers driving credit markets are improving activity levels across the globe and continuing concerns regarding a second wave infections. The Asia credit market started the week on a relatively weak tone, but gathered strength as the week wore on as COVID-19 related risks receded, ending the week on a strong note. In the US, Junk bond funds saw a \$3.4bn withdrawal for the week ending July 1, according to data from EPFR Global. The redemptions broke a 13-week streak of inflows in which \$54bn was added to the fund group.

In Brexit news, Britain and the EU failed to make progress in talks on post-Brexit relations last week due to major differences and called off a one-on-one meeting between their chief negotiators. On the EU recovery fund, EU governments remain deeply divided over a proposed 750 billion-euro plan and the prospects for a deal at a key summit later this month are uncertain.

On the vaccine front an early trial of an experimental vaccine from Pfizer and BioNTech showed patients produced a reasonable amount of antibodies. Based on the initial trial results, BioNTech and Pfizer hope to progress to a larger US trial, involving 30,000 participants, subject to regulatory approval. The human cost of coronavirus has continued to mount, with more than 11 million cases confirmed globally and more than 512,600 people known to have died. COVID-19 infection numbers continue to increase rapidly in the U.S. An additional 57,562 people across the US tested positive for coronavirus on Friday - a one-day record and the third straight day of more than 50,000 new cases. The reproduction number in the US has remained steady around 1.17, while the epidemic doubling time is now 41 days, suggesting that spread is ongoing and accelerating. It was a July 4th without fireworks as commemorative events were cancelled in a bid to stem the outbreak

After a gap because of the COVID-19 pandemic, the IPO market has come back. Lemonade shares spiked by 139% to \$69.41—putting the market cap at over \$3 billion. Lemonade is a next-generation AI insurance company. The insurance industry has lagged AI developments and Lemonade fills this niche.

Stay safe.

MAURICE GRAVIER
Chief Investment Officer
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