



## **CIO OFFICE MORNING MARKET WRAP – Thursday August 6<sup>th</sup>, 2020. ALSO AVAILABLE ON ALEXA**

Wednesday was positive on financial markets, supported by optimism in the US. First, the ISM Services index jumped to 58.1 in July from 57.1 in June, way better than the consensus expectation of 55. The mood was also encouraging in Washington where Democrats expressed confidence in reaching a deal for a renewed virus relief package. They are pushing to maintain weekly unemployment benefits at \$600 per week, which expired in July, while the Trump administration currently suggests \$400 from now on. Financial help will come anyway and markets reacted positively.

Developed Market stocks rose 0.6% across regions, while their Emerging Markets counterparts added 0.7%. Interest rates slightly rose on better growth prospects, with the US 10-year Treasury yield gaining 4 basis points to 0.55%. The price of Brent crude oil moved up 1.7%, slightly above \$45, and our regional markets were steady.

The trade weighted US dollar resumed its downward trend, losing -0.8%. The offshore Yuan touched a five-month high for instance, very close to 7 for a dollar, despite renewed trade tensions. Pressure on the dollar also helped Gold stay above \$2000.

Numbers on the virus front were mixed, with an overall deceleration in the rate of infection but high fatality in California for example. President Trump expressed his optimism about the pandemic in a video interview which was later removed by both Facebook and Twitter as they considered that his comments on children being “almost immune” was misleading. No doubt, the Presidential campaign is on.

With regards to the blast in Beirut, consensus is growing about the cause being a mistake rather than an attack. Ammonium nitrate had been lying in storage at the city’s port for years despite warnings from the customs, and this dangerous situation tragically ended in the worst possible way.

As we write this morning, markets in Asia are not as optimistic as yesterday. Hong-Kong, China and Japan are down between -0.5% and -1%, but interestingly both Gold and Oil prices are stable. Fundamentally, fiscal stimulus is of course good, but at current levels of valuation it cannot be the only driver for markets which are priced for a perfect recovery. They basically need jobs to be created, and we’ll know more on Friday with the US non-farm payroll number, and get an indication today with the weekly initial jobless claims.

In the meantime, today is relatively light in terms of economic data, but we’ll watch the decision from the Central Bank of India, as well as Germany factory orders and the statement from the Bank of England. Earnings season continues especially in Europe and Asia: we will get Adidas, Toyota or Siemens numbers among others.

Stay safe.

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