



## **CIO OFFICE MORNING MARKET WRAP – Sunday September 6th, 2020. ALSO AVAILABLE ON ALEXA.**

Global markets seemed to be in for more of the same last week, with stimulus running aplenty and economies performing just fine to warrant continued risk taking, when suddenly technology stocks on Thursday reversed course causing the biggest rout since June. The MSCI All Country Index scored a -2% five-day return, faring still better than the S&P 500 and the Nasdaq Composite, down -2.3% and -3.2% respectively. Investors must have questioned valuations after five monthly back-to-back gains at breakneck speed in light of the uncertainties still clouding the horizon. In spite of the sell-off, safe-haven assets were not in demand, with US 10-year Treasuries and gold a tad weaker and the US dollar ending only mildly higher. It is of notice that 10-year real rates retested previous lows, but eventually gained 7bps for the week to close above -1%, throwing a spanner both in gold's and the Nasdaq's rally.

Brent crude ended 5.3% lower as risk sentiment was hit hard by oversupply concerns and demand woes. Economic data was quite reassuring as indicated by the manufacturing confidence pretty steady in China and strong in the United States, where the forward looking measure of New Orders was well above expectations, though the hiring sub-index showed

lingering weakness. In China the services sector accelerated, while the same index in the US was elevated but below forecasts. Fed chair Powell said in an interview that “today’s jobs report was a good one”, as unemployment fell to 8.4% and the US economy added 1.4 million jobs in August. Economic momentum was not as strong in Europe, where the composite gauge of corporate confidence weakened in August and core inflation entered negative territory for the first time in four years.

The ECB chief economist talked down the euro saying that “the euro-dollar rate does matter”, when at a point the cross attempted to breach the 1.20 level for the first time in two years. The US presidential election remains the main source of market risk according to derivative signals across equities, credit and rates, projecting unusually high levels of volatility three months out pointing to a contested election outcome.

Other risk factors are represented by an untamed pandemic, with new COVID19 cases rising again globally, an unresolved US fiscal cliff and rising US-China tensions. With volatility typically rising into election time and valuations at historically high levels, we have maintained a slight underweight to developed market equities, which, although detracting from performance, was more than offset by profitable overweights to EM assets, gold and IG bonds. Our portfolios have year-to-date outperformed both their benchmarks and peers. A high-level US-Israeli delegation made a historic visit in Abu Dhabi following a landmark deal between the UAE and Israel to establish diplomatic ties. The two countries signed their first protocol in banking and finance, with other agreements expected soon. The Dubai government announced Wednesday a retirement program that offers resident expatriates and foreigners the opportunity to retire in the emirate. A positive long-term impact on the economy and in particular the residential property market should be expected

Stay safe.

**MAURICE GRAVIER**  
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