



CIO OFFICE MORNING MARKET WRAP – Thursday July 9th, 2020. ALSO AVAILABLE ON ALEXA

China equities continue to rally, with echoes of 2015 at the back of investors' minds when the market came down as quickly as it had gone up. For now momentum, trading volumes and margin lending are supporting the China rally. The Shanghai Composite Index was up 1.9% yesterday and this morning is up another 0.7%. The index has advanced 10% this week. Other Asian markets had a mixed day with Japan's Nikkei 225 Index down 0.6%.

US equities finished higher, with technology, Consumer Discretionary and the Communication Services sectors giving Growth a significant advantage over Value. The S&P 500 closed +0.78% and the Nasdaq +1.44%. The Stoxx Europe 600 fell 0.7%.

Regional markets were slightly down with the UAE equity indices -0.7% and the KSA close to flat. Treasuries were slightly weaker; the U.S. 10 year yield settled @ 0.66%. The USD was weaker vs the Euro, Yen, and Pound.

Oil traded at a four-month high with Brent at \$ 43.23, despite U.S. crude inventories near a record and gasoline demand at the weakest seasonal level in more than 20 years.

Gold is above \$1,800, its highest level since September 2011. Gold has risen about 19% this year, amongst the best performing major asset classes of 2020. Net inflows into gold-backed ETFs are at \$5.6bn (104 tonnes) in June, taking global holdings to a new all-time high of 3,621 tonnes i.e. \$200 billion, according the World Gold Council.

Unemployment rates in the world's advanced economies will end the year higher than at any time since the Great Depression and not return to their pre-pandemic levels until 2022 at the earliest, according to the OECD and warned against the premature withdrawal of emergency measures to support employment, and said governments should launch new programs to encourage businesses to hire workers, particularly those entering the jobs market for the first time.

If the U.S. is hit by a second wave of lockdowns, the OECD forecasts jobless rates of 12.9% in 2020 and 11.5% in 2021, compared with 11.3% this year and 8.5% next year if there is no sustained resurgence.

The U.K. government announced \$38 billion in fresh stimulus measures to stave off an employment disaster, including targeted tax cuts and new job support schemes. This takes the total cost of the support measures to about £189bn since March. Sterling jumped higher against the dollar and the euro after UK chancellor Rishi Sunak outlined measures to support the economy in his summer speech. The Treasury will cut VAT from 20% to 5% for the tourism and hospitality industry which will last for six months and cost about £4bn.

Countries have mixed responses on opening universities and schools and the US large number of international students have been affected by immigration policy. Harvard and MIT sued the Trump administration over its new policy barring international students from coming to or remaining in the U.S. if their classes are taught entirely online. President Trump intensified a campaign to open schools and tweeted that funding could be cut from schools if they decide not to open in the fall while also citing that Germany, Denmark, and Norway have had "No Problems" with re-opening their schools.

Brooks Brothers, a more than 200 years old clothing retailer is to file for bankruptcy protection in the US. Retailers have been globally hard hit by the lowered demand on account of the lockdowns.

The US had its biggest one-day increase in coronavirus cases recording 62,000 infections on Wednesday. The number of U.S. infections is over 3 million, more than 25% of the global total.

Global cases topped 12 million, Beijing appeared to make headway in stamping out a recent outbreak, reporting no new local cases for a third day.

Stay safe.

MAURICE GRAVIER
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