



CIO OFFICE MORNING MARKET WRAP – Monday August 10th, 2020. ALSO AVAILABLE ON ALEXA

Global equity markets advanced last week, buoyed by optimism over potential COVID-19 vaccines and better than expected earnings results. Regionally, developed markets outpaced emerging markets and Japan and the US outpaced Europe.

Stocks are trading mixed in Asia this morning with uncertainty around the review of the U.S.-China trade pact and the timing of the stimulus package in the US. Shares in Hong Kong are down -0.5%, whilst China markets are trading flat. Tencent is trading down 3%, following Fridays 5% fall. Up 36% for the year.

Other Chinese tech companies have ADRs that trade in the US, so we await US markets to open to see the impact of the restrictions on Americans placed on dealings with TikTok and WeChat.

Japan and Singapore are shut for holidays. The dollar is steady this morning. Gold is flat at \$ 2028/ ounce. The yield on 10-year Treasuries was at 0.56% on Friday.

In the US, neither Democrats nor Republicans are giving a firm date on the stimulus package after reaching an impasse last week. There are large differences on overall spending and on key issues, aid to state and local governments and the amount of supplementary unemployment benefits. Pres. Trump has in the interim signed four executive orders to maintain some assistance, including unemployment benefits, a temporary payroll tax deferral, eviction protection and student-loan relief.

The world has now over 19.5 million confirmed COVID cases. The U.S. passed 5 million coronavirus cases after adding 1 million new cases in just over two weeks. Germany's transmission rate rose to the highest level in 10 days. Paris will mandate masks outdoors starting Monday. Where lockdowns have eased and the virus is under control, economic activity is starting to recover.

China is seeing consumer inflation accelerating and factory price deflation easing. Google Mobility data — which tracks footfall traffic — from retail and entertainment hubs and considered a proxy for consumer spending shows that people have returned to spending venues, but with large variations between countries.

In Sweden and Italy retail footfall is 20% below pre crisis level but 70% below in the US .

Oil is up, supported by Saudi Aramco saying it expects energy demand to pick up . WTI rose 1.2% to \$41.72 a barrel and Brent for October settlement gained 1% to \$44.84 on the ICE Futures Europe exchange. Crude consumption in Asia is almost back to pre-virus levels, Aramco CEO Amin Nasser said yesterday and oil demand is around 90 million barrels a day, compared with pre-pandemic levels of roughly 100 million barrels a day. Saudi Aramco declared Q2 results saying it will pay out \$75bn in dividends this year though revenue and profit have suffered with the drop in oil prices. The company on Sunday reported net income of \$6.6 billion in the last quarter, a 73% fall from the same period a year ago.

The tech front continues to innovate with battery technology improving and a million mile battery in the making. OpenAI an artificial intelligence laboratory in San Francisco has built software that can write poetry with software built around a language model which generates sophisticated human like text. Disney+ now has 60 million users and will launch its latest movie Mulan on the streaming channel.

The power of the app cannot be underestimated with Microsoft's planned bid for TikTok which has a 100 million users in the US and could be valued anywhere between \$15 to 40 billion. This gives Microsoft entry into social media's big league.

Earnings today include Barrick Gold, SoftBank, Deutsche Telekom, Tencent and JD.com. The SEC is investigating potential incidents of insider trading in Kodak with the share price of Kodak rising 2000% after the announcement that it was to receive a government loan to make generic drugs.

Stay safe.

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