



CIO OFFICE MORNING MARKET WRAP – Thursday August 13th, 2020. ALSO AVAILABLE ON ALEXA.

This morning Asian markets are mildly positive, following a broad global rally, with the MSCI All-Country World Index closing up 1.2% yesterday. The August equity rally has coincided with a rise in U.S. government bond yields, as investors are becoming more optimistic about the economic outlook. Gold prices have fallen this month and oil prices have climbed. The U.S. 10yr yield rose to 0.67% yesterday but reverted back to 0.65%. Treasury yields dropped from the highs of the day after the sale of 10-year notes attracted stronger-than-forecast demand. The U.S. Treasury auctioned a record \$38bn of new 10-year bonds with a 0.677% yield. Gold has partially recovered its 7% drop and this morning is trading at \$1936. The USD was weaker vs the Euro, stronger vs the Yen and Pound.

In the U.S. the S&P 500 closed up 1.4%, at 3380 within 0.2% of the Feb. 19 high. It is now up 3.4% in August and 4.6% for the year. This followed strong trading across European markets, where the Stoxx 600 rose 1% and the FTSE 100 closed 2% higher despite second-quarter data showing the UK falling into its deepest recession on record. U.S. equities have risen in all but one day in August, supported by declining coronavirus cases and hopes that a deal will be

reached on the new stimulus package. Markets have also taken well Democratic presidential candidate Joe Biden's announcement that Kamala Harris would be his running mate. The recent rotation into Value paused as Growth outperformed Value with a strong performance from the Technology, Communication Services, and Consumer Discretionary sectors. The Nasdaq Index closed +2.1%, after 3 down days. Apple rose 3.3%, closer to a \$2 trillion market value and Tesla rose 13% post the announcement late Tuesday on the 5-for-1 stock split. While technology firms have been this year's star performers, the market has been supported of late by stocks that are more sensitive to the economy and had been hit particularly hard during the pandemic's early days.

The S&P 500 departmental stores index is up 23% this month and airlines 16%. Macro data has been supportive and CPI year on year for July was 1.0%, well above the 0.70% consensus estimate. WTI Crude finished up 2.5% and held gains near \$43 a barrel, after closing at a five-month high as U.S. weekly inventory data buoyed optimism that a sustained recovery in energy demand in the U.S. is underway. Futures in New York were steady after rising 2.6% Wednesday as the EIA reported crude stockpiles dropped for a third week, the first time that's happened this year. Gasoline demand climbed back to pre-pandemic levels, while U.S. refineries raised operating rates to above 80% for the first time since March. The recovery however is not universal, with India reporting consumption of oil products fell 12% in July from a year earlier.

Stay safe.

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