



CIO OFFICE MORNING MARKET WRAP – Tuesday October 13th, 2020. ALSO AVAILABLE ON ALEXA.

Monday was a strong start to the international week on markets. Stocks across the world added on average 1.2%, led by the US, themselves propelled by big technology. Amazon and Apple particularly shone: the former is gearing for its Prime Day bonanza, and the latter will hold its seasonal keynote tonight, which is expected to unveil the new 5G enabled iPhones. Rumours and industry insight suggest a total of four new models with upgraded cameras, OLED screens and squared off design. This is without a doubt a very significant release for the world's most valuable company: many owners of iPhone from previous generations are waiting for the 5G model to upgrade.

Interest rates were broadly unchanged, with the US 10-year government bond yielding 0.76%. Gold was marginally lower, close to \$1920. Oil prices had a turbulent night, as supply roadblocks are simultaneously being lifted in America, with hurricane Delta now behind us, in Libya, ending force majeure, and in Norway with the cancellation of a workers' strike. As we write, the future contracts on Brent Crude Oil trade at \$41.7. For the technical analysis fans, it has just broken both its 100-day and 200-day moving average, which could be signalling further selling pressure ahead. From a fundamental perspective, which is as you know our philosophy, our in-house view is more constructive on 2021 as ENBND Research's expectation is for an average of \$50 in 2021.

The virus keeps on progressing, with the global number of cases approaching 38mn, and new restrictions being put in place locally especially in Europe. Its fatality rate is however fortunately lower than in the first part of the year, which tends to comfort our view that we have learnt to deal with it, without stopping the economy again, until a vaccine is found. On that front, news were not good yesterday after a report that Johnson & Johnson's study has been halted due to illness of a participant. There are fortunately more than 20 vaccine studies in their Phase 3 trial, but we keep on avoiding taking any bet neither on the winner, nor on the timing. On the same, President Trump confirmed that he was tested negative, showing a very impressive recovery in days. This is the transition to the other current hot topics: US politics. The prospects of an imminent agreement on an immediate fiscal package are fading. We keep on thinking that the probability is not zero but that it is extremely low, only 20 days before the elections. The latest and as always boldly unpredictable move from the US President, suddenly asking for a bigger package, has raised eyebrows even in his own camp.

As we write, China has just released their trade numbers for September and they are spectacular. Compared to the same month last year, exports have jumped 9.9% which is in line with expectations, while imports are 13.2% higher – consensus' forecast was for +0.4%. Part of it may be the consequence of a rush to buy US tech components before the restrictions are implemented. Anyway, let's say it again: China is not just recovering, China is booming, firmly above pre-pandemic activity levels, and it is doing so without the help of the massive quantitative easing deployed by other major economies.

As we write this morning, the morning trading session in Asia is mixed. Western futures in particular are capped by the latest vaccine and US stimulus news. Stocks fluctuate without a clear direction in Asian markets, and Hong-Kong is closed today. Now that we have had the Chinese trade numbers, there is no major economic data being released today. It's time for companies to take the lead: apart from Apple keynote, Q3 earnings today will include Johnson & Johnson, JP Morgan, Citigroup and Blackrock.

Stay safe.

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