



CIO OFFICE MORNING MARKET WRAP – Monday September 14th, 2020. ALSO AVAILABLE ON ALEXA.

The last two weeks have been volatile on financial markets, with a technology-centric correction in equities. After the release of August key monthly economic data and weeks before the start of the Q3 earnings season, we are in a vacuum of fundamental news which puts behavioral factors in the driving seat for market direction. Investors are reacting to virus numbers, which are not good, developments on a vaccine, which fluctuate, and the US politics, which provide little visibility as the presidential elections is only 50 days away.

Against such a backdrop, market participants are also closely monitoring each other: the recent volatility may not be over as retail investors, generally more versatile, are said to currently own a third of US markets and to be trading one fourth of their daily volumes. They are sensitive to losses. On the other hand, mutual and hedge funds performance this year clearly indicate that institutional

money remains defensively positioned, looking for an opportunity to put their unproductive cash at work.

As we write this morning, the trend in the early hours of trading in Asia is positive, buoyed by the combination of large M&A deals with signs of progress towards a vaccine. On the former, Nvidia will buy Softbank's chipmaker Arm for \$40 billion, a welcome blow of oxygen for the highly leveraged Japanese conglomerate, currently under the spotlight for their heavy trading on tech stocks derivatives. Staying in tech, Oracle is said to be the winning bidder to buy TikTok's US operations, a deal pushed by the White House but currently opposed by Beijing.

In the other star sector of the year, healthcare, Gilead is buying Immunomedics for \$21 billion. On the vaccine front, Pfizer CEO, who doesn't have the reputation of overpromising, said a deployment of a product to Americans is likely for year-end. Astrazeneca and Oxford restarted a UK trial for their own vaccine as well. The time frame could be shorter than most health officials have suggested. As a result, Asian markets are well oriented as we write, with US future contracts and tech heavy South Korea leading with a 1% gain, while China and Japan fluctuate around +0.5%. The dollar and treasuries are little changed and interestingly Gold is firmer at \$1950.

Our UAE markets were unchanged yesterday. Crude oil is struggling to recover its recent losses: the Brent futures are only slightly up and just below the \$40 mark. The US said that Libyan commander Khalifa Haftar will end the blockade of the country's oil ports. The OPEC+ will hold a monitoring meeting Thursday to continue the strict enforcement of the output quotas, and the organization will release its monthly oil market report today. The pivotal questions for the coming months are unquestionably the US presidential elections and of course the perspectives of a vaccine, the latter being the most important especially as infection numbers are still rising everywhere, including in the countries which have so far well managed the outbreak.

On our radar this week, China industrial production and retail sales data is due on Tuesday, and the Fed will communicate its monthly policy decision on Wednesday. We actually shouldn't get any policy decision as the Fed is already "all-in", but expect more color on their average inflation targeting as well as a refreshed forward guidance. The Central Banks of Japan, UK and Indonesia will also have their monthly committees this week. Friday will also be a technically

important day with the expiration of options and futures for both indices and stocks on US markets, known as “quadruple witching”.

As short-dated call options have been heavily traded in the recent weeks and as the quarterly expiries are always of particular importance, this could generate volatility, but we’ll be relieved to know positions are settled. On the corporate side, Apple will own its first big fall event on Tuesday but according to experts, they are not expected to unveil new iPhones this time. This doesn’t mean they won’t, as Apple is known for surprising everyone, and for sure there will be interesting things to look forward to.

Stay safe.

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