



## CIO OFFICE MORNING MARKET WRAP – Wednesday October 14th, 2020. ALSO AVAILABLE ON ALEXA.

After a strong Monday, the mood was more cautious on financial markets yesterday. Global stocks retreated 0.3% in developed markets and were unchanged on net in their emerging peers, including a rise in our regional indices with the MSCI GCC adding 0.4%. There weren't positive developments on the two current areas of focus for global markets: US stimulus are unsurprisingly stuck again in Washington, and the virus is still progressing especially in Europe. On the latter, the UK is now considering a nationwide "circuit breaker" lockdown, and infections rose at their fastest pace in 6 months in Germany. Tuesday's session was positive for government bonds: the 10-year Treasury yield lost 5bp to 0.73% and the US dollar was stronger a significant 0.5% versus its trade-weighted counterparts. Gold is trading just below \$1900. Energy was better off: the price of Brent crude oil moved up 1.7% to \$42.4. Following a call between Saudi Crown Prince MBS and Russia's President Vladimir Putin, both leaders urged OPEC+ members to comply to the agreed production cuts.

With regards to corporates, the earnings season has really started. JP Morgan and Citigroup both delivered better than expected numbers, which bodes well for their peers Goldman Sachs and JP Morgan who will follow today. The good Q3 numbers were however not enough to boost the shares, as analysts didn't get the optimistic forward guidance they were probably hoping for. Visibility for the rest of the year remains low especially on loan provisions. Apple held its seasonal keynote event last night. As expected, they unveiled the latest line of iPhones, number 12, which are 5G enabled, thinner, lighter and faster, according to the company. This should provide a boost to their Q4 sales as the 5G feature

is a significant evolution. The share price however lost close to 3% in a typical “buy the rumour, sell the news” consolidation pattern after a strong rally in the previous sessions.

Moving on to Asia. As we write this morning, China’s President Xi is delivering a speech in Shenzhen, laying out ambitious measures to further open the Chinese economy on the investment front and make this special economic zone the heart of innovation. This includes pro investment regulations and infrastructure spending to boost the Greater Bay Area, as well as a focus on talent and young people. He also praises international cooperation, welcomes foreign investments and warns against protectionism. Interestingly, Huawei is headquartered in Shenzhen. In the current context, there is no doubt that these measures also increasingly tie Hong-Kong to the mainland. Hong-Kong and Shenzhen are linked by a bridge in this area which also includes Macau. Asian markets as we write are following the US lower but magnitude remains modest, with negative returns close to -0.5% on average for the main stock markets. Western futures are slightly better. The offshore yuan is steady at 6.73 for one dollar.

Today we’ll look at corporate results from US banks in particular, but also interestingly United Airlines, ASML of Infosys. We will pay attention to the Euro Area Industrial Production for August (we think it should be reasonably good). We will not pay a lot of attention to an impressive line-up of speakers from Central Banks at the IMF and World Bank virtual meeting: it is pretty clear that they will reiterate their full support and call for more fiscal stimulus. The IMF has revised up their growth forecast for 2020, which we always considered as way too pessimistic anyway, and more a headline story than an actionable investment input.

Stay safe.

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