



## **CIO OFFICE MORNING MARKET WRAP – Wednesday July 15<sup>th</sup>, 2020. ALSO AVAILABLE ON ALEXA**

The coronavirus, geopolitics and quarterly earnings were the drivers of a volatile session yesterday, and this will probably happen every day in the coming weeks. The positives won this time: global stocks were overall little changed because the US reversed a risk-off mood to end the day up 1.3%. The good news was a significant progress on a COVID-19 vaccine by US listed company Moderna. Their initial safety trial on a limited number of patients demonstrated a material production of antibodies, at levels not far from what happens when an infected person naturally recovers. The company also announced that it will start a much bigger trial on 30,000 adults at the end of July. It is definitely a positive, and music to the ears of markets which are concerned by rising cases, especially in the US Sun Belt.

As we write this morning, for the same reason, shares in Japan, South-Korea, Hong-Kong and Australia are all up. Chinese stocks are however in the red, affected by another notch of escalation in geopolitical tensions.

President Trump issued an order to end Hong Kong's special status with the US and added sanctions on Chinese officials involved in repressing political protest in the island. At the same time however, China announced its largest purchase ever of US corn, which confirms our view, or at least our hope, that escalation is more verbal than anything else in an electoral year. None of the superpowers can afford real trouble.

The third key event of yesterday was the release of quarterly earnings by major US banks. They were heterogeneous, reflecting the contrast between a struggling real economy and a buoyant market activity. To sum-it up, provisions for souring loans massively surged, while trading revenues were better.

As a result, results were good in banks with a larger investment activity, such as JP Morgan, but were disappointing for others, such as Wells Fargo, with Citigroup being in the middle. Following this not very sophisticated logic, numbers from Goldman Sachs should be good today.

This Wednesday will be important for Oil as the OPEC+ will discuss several proposals, including a roadmap for tapering output cuts and further enforcement of compliance with the production quotas. As we write, Brent futures contract are gaining in Asia, helped by the cyclical hopes from the promises of Moderna's vaccine.

Our regional markets were slightly negative yesterday after the IMF cut its forecast for the region. Our colleagues from ENBD Research will update their own forecast in the coming weeks, and it's good to keep in mind that the IMF, designed to deal with crisis, is not exactly known for being optimistic. The same applies to Central Bank officials: two members of the Fed's committee spoke yesterday, highlighting the risks and reiterating their ability to help.

The Bank of Japan will also meet today but we don't expect anything major in a country where the monetary policy is already defying imagination for years. We won't have crucial economic data today, much more on Thursday with China's GDP which we think should beat expectations, and retail sales in the US. The earnings season continues, with many companies publishing their numbers from ASML to Goldman Sachs.

Stay safe.

**MAURICE GRAVIER**  
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