



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

Wednesday was overall quiet on global stocks, flat in emerging markets and down -0.2% in developed markets on average, but the US retreated -0.6%. The probability of getting a stimulus deal before the November 3rd elections are now extremely low, according to Steve Mnuchin, even if talks with Democrat Nancy Pelosi continues. Disappointing numbers from Wells Fargo and Bank of America also weighed, while Goldman Sachs beat expectations. Morgan Stanley in the next in line today. Interest rates were absolutely unchanged across maturities. The price of Brent crude oil moved up 2% to \$43.3, with the prospects of a strict compliance to agreed OPEC+ output cuts, and boosted by a drop in US crude stockpiles.

It's also good to remember that Joe Biden and Kamala Harris have taken explicit positions against fracking, which could limit the future US production. The US dollar continued to move down against its major counterpart, also helping Oil prices, while Gold keeps on fluctuating around the \$1900 mark.

News are not good on the virus front, especially in Europe where Italy had its daily record for new cases, and where new restrictions were announced in France: a curfew from 9PM to 6Am in all major cities. The UK and Germany are also considering to tighten their curbs on movement. There was no breaking news on the numerous vaccine projects, which may be a good thing: high frequency news and an electoral context are not the best friend of serious scientific research which is by nature made of tests, mistakes, and adjustments.

On the economic front, we only had Europe's industrial production in August which was positive but not spectacularly. The contrast remains sharp with China where September credit growth beat expectations. Their so called Total Social Financing indicator is 9.5% higher on the first nine months of 2020 than in the same period of 2019 – which happens without a massive expansion of the central bank's balance sheet: China's economy is stronger than ever.

As we write this morning, Asian markets are moving in a "risk-off" mood, reflecting the mixed earnings and fading chances of a fiscal stimulus in the US. Stocks slip in Japan, Hong-Kong and South-Korea, and they are slightly up in China's domestic markets and Australia. US interest rates are down 1 basis point across maturities and the dollar is a bit stronger.

We keep on expecting near-term volatility, and it could be fueled by more aggressiveness in the US presidential campaign in the coming days, especially as the second debate has been cancelled. But despite the resurgence of the virus and the gloomy outlook from the IMF –which, by design, is pessimistic- we keep on being confident in the near-term outlook for investments. Our three profiles are all up between 5 and 6% so far in 2020.

Today we will look at the US Empire Manufacturing index for October as well as at the weekly jobless claims, before getting the EIA oil inventories and listen to Mrs Lagarde's speech at the IMF and World Bank virtual meeting. Today was supposed to be an important deadline for Brexit negotiations but talks continues. Mr Johnson expressed some disappointment but will however delay a decision to stop talking but the clock is ticking.

On the corporate front, apart from Morgan Stanley in the US, Taiwan Semiconductor Manufacturing Co will release their numbers and hopefully set some guidance. On Friday we will get the US retail sales and Industrial Production.

Stay safe.

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