



CIO OFFICE MORNING MARKET WRAP – Thursday June 18th, 2020. ALSO AVAILABLE ON ALEXA.

Global financial markets were quiet Wednesday, especially compared to the extreme moves of the recent sessions. Global stocks added a modest 0.1% with non US indices catching-up with the US rally of the previous day, while the US closed down 0.5% in low volumes. Interest rates were overall steady and the price of Brent crude oil consolidated but remained above \$40.

Our regional markets also did quietly well, most of them closing unchanged or slightly positive, with Abu Dhabi the outperformer with +1%. Saudi Aramco announced that it closed the deal to acquire 70% of SABIC from the Public Investment Fund. It's a decisive step in the company's downstream expansion strategy, making it a global petrochemical powerhouse. Overall, there has been many news to digest for markets in the recent days, from the fear of a second wave of infection to the certainty of a second, third and fourth tsunami of liquidity by Central Banks.

Latest on the list should be the Bank of England, meeting today, which is expected to expand its quantitative easing by another 100 billion pounds. Central Banks from Switzerland and Norway will also meet, the ECB will publish its economic bulletin, and several Eurozone countries will issue bonds.

The Chinese PBOC is also expected to announce further support soon. In his speech to the House of Representatives, Fed Chairman urged policymakers to maintain fiscal stimulus, because the economy is “just beginning to recover”. On the pandemic front, news are not great but not that surprising. As we write for long, less restrictions mechanically implies more infections and this is happening in some locations, from Beijing to Germany. America remains the epicenter with Brazil registering a record number of new infections yesterday, and some states of North America still not decelerating, such as Texas and Florida. New York City through is on track to implement the next phase of its reopening.

On the geopolitical front, India and China are talking after their deadly clash on the Himalayan border. The US is maintaining pressure on China, and Europe. President Trump signed a measure punishing Chinese officials for allegedly imprisoning one million Muslims, and senior members of his administration warned European countries of retaliatory measures if they raise digital taxes on US tech companies, while saying that a trade deal is unlikely to happen this year with the European Union. At the same time, former US national security advisor John Bolton announced the imminent publishing of a new book picturing a devastating portrayal of President Trump, especially in his foreign policy.

The Wall Street Journal, not known for being a fan of the current administration, published excerpts which contributed to the negative sentiment on US stocks at the end of the day. As we write this morning, the mood is also mixed in Asia, most of Asian stocks are slightly down and so are US futures. Volumes are low and there is a feeling of fatigue spreading in global markets, as we approach the end of the quarter.

Stay safe.

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