



## **CIO OFFICE MORNING MARKET WRAP – Tuesday August 18th, 2020. ALSO AVAILABLE ON ALEXA.**

Global financial markets are waiting for the expected next good news. In the meantime, as there are not many sellers due to overall light positioning, they gently rise. Global stocks gained 0.3% on Monday, led by China after another significant liquidity injection from the Central Bank. Japan was the exception, down -0.8% as the GDP contraction for the 2nd quarter was worse than expected. US indices gained 0.4%, close to a fresh all-time record, and Europe followed.

Fixed income was also sought after, as the 10-year Treasury yield lost 2bp to 0.69%, and spreads moved slightly lower in every segment. US headlines didn't provide support for this good market session. If anything, they were negative: Washington's deadlock over additional fiscal stimulus is still there, US-China tensions kept on escalating, with further restrictions being announced on Huawei, and the Empire State manufacturing survey fell sharply to 3.7 from 17.2 last month, which was well below expectations. Never mind, market participants are currently dealing with the risk of missing another bit of rally rather than on the absolute downside risk. Their focus is on the positive catalysts which could make them suffer further: the Washington impasse will not last forever, and in September, the Fed will refresh its

framework in a dovish way, with probably more tolerance towards inflation to keep the printing press as busy as needed.

In such a context, no surprise that total US corporate investment issuance in 2020 reached yesterday a record \$1.3 trillion, more than during the full year of 2017. This also explains why Gold is steady, approaching \$2000 again, also helped by the unexpected bet of Warren Buffet's Berkshire Hathaway in the metal, an asset he previously barely considered. Bitcoin surpassed \$12000, a 70% gain so far in 2020. The most cyclical of all assets, Oil, is also doing well. The price of Brent crude oil gained 1.2% yesterday, above \$45 and near a five-months high. The OPEC+ has remarkably acted during the current crisis and has even managed to start tapering the production cuts without crashing prices.

The alliance will meet on Wednesday. Markets in our region enjoyed another positive session for the UAE stocks in particular: Dubai and Abu Dhabi gained respectively 1% and 0.4%. Israel invited His Highness Mohammed bin Zayed Al Nahyan to visit Jerusalem, which is unprecedented for a Gulf leader since Israel's founding. Bahrain and Sudan are said to be ready to follow the UAE to normalize their relations. As we write this morning, the session in Asia is relatively quiet, with modest fluctuations and no strong direction. There won't be significant economic data today, but the minutes of the Fed's FOMC will be released tomorrow.

Stay safe.

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