



## CIO OFFICE MORNING MARKET WRAP – Sunday October 18th, 2020. ALSO AVAILABLE ON ALEXA.

Global markets closed the week on a positive note, snapping a three-day losing streak following strong US retail sales and above-consensus earnings from European companies. Yet, in the five days through Friday the S&P 500 eked out only modest gains and Europe lost ground, on growing concerns about virus resurgence in the Western countries and lack of additional stimulus from Congress. Treasuries gained alongside the US dollar, while gold retreated and crude oil was little changed. Boeing led gains in the Dow after Europe's regulator said that the 737 max may return to the region's skies by year-end. Earnings from big banks saw heightened volatility in the sector, with Wells Fargo reporting plunging profits and slumping 6%, Bank of America sliding on increases in trading revenue well below competitors', but Goldman Sachs outperforming as earnings per share jumped to a record. President Trump and Democrat Joe Biden's duelling town halls held Thursday highlighted their opposing approaches to major issues. The president denounced White Supremacy, claimed to have done "an amazing job" fighting the pandemic and criticized the media and Democrats for opposing him; Biden promised to roll back tax cuts for the wealthiest Americans, slammed Trump's handling of the outbreak and said that "America first" had made "America alone".

The second and final presidential debate is going to take place Thursday this week in Nashville. Although House speaker Nancy Pelosi and Treasury Secretary Steve Mnuchin are still holding talks on a stimulus deal, it would be difficult for lawmakers to "execute" a relief package before the Nov. 3 election, said Trump's economic adviser Larry Kudlow. Data releases continued to send an overall reassuring picture across economies. In the United States September retail sales blew expectations

rising by 1.9% and a gauge of consumer sentiment showed confidence about the future situation. But it is China to win the post-pandemic rebound contest. It will be the only major economy projected to expand this year, as per IMF calculations, with a share of global growth set to expand to 26.8% in 2021, with the US ranking number two in terms of anticipated contribution. Xi Jinping said China won't stop reform and the opening up of the economic system. Mr Trump is not the only one concerned about China's progress and Bridgewater founder Ray Dalio sounded the alarm again. He said that Beijing can count on multiple advantages, including a stronger economy and higher interest rates. He sees the coming internationalization of the renminbi as a threat to dollar dominance.

The IMF turned a bit less grim on the 2020 economic outlook. The agency forecast global GDP will shrink 4.4% this year, compared with the June outlook for a 5.2% drop. The contraction would still be the deepest since the Great Depression. The IMF tempered its outlook for 2021 growth to 5.2% from 5.4% and warned the road to recovery will be bumpy. Apple unveiled its new iPhone 12 at a live event watched by millions around the globe. The smartphone, designed with round edges, boasts 5G cellular connectivity. Analysts remain bullish on sales, especially in China, where 5G networks are more built-out than in the US.

On the virus front Pfizer said that it may be ready to apply for emergency-use authorization of its vaccine as early as November, conditional on positive late-stage human trials. European countries are currently the worst affected by Covid19, as France, Italy, Portugal, and the Netherlands had new record daily cases. With more than a quarter of the 39,700 British pubs estimated to be unable to survive the pandemic amidst unabated uncertainty and restrictions, one begins to wonder whether the remedy is not worse than the disease. Pandemic pains in the UK are compounded by Brexit woes, as Boris Johnson warned that the UK will get ready to leave the EU without a trade deal, blaming the bloc for refusing to offer good enough terms.

This coming week heavyweights from metals and energy services are set to dominate the earnings calendar, including Freeport-McMoRan, Nucor and Halliburton. Oil traders will be looking forward to Saudi Arabia and Russia's meeting of their Joint Ministerial Monitoring Committee on Monday.

Stay safe.

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