



## **CIO OFFICE MORNING MARKET WRAP – Sunday September 20th, 2020. ALSO AVAILABLE ON ALEXA.**

September continues to see volatile markets, though global markets ended the week up 0.2%. Developed markets closed flat whilst emerging markets gained 1.6%, with China the lead contributor to the latter. The GCC markets saw the KSA Index gain 2.5% for the week, in line with a rise in oil prices and in the UAE, the Dubai index gained over 2% whilst Abu Dhabi was close to flat. In the U.S. stocks see sawed giving up earlier weekly gains, with the major indices losing one percent on Friday, post the Fed's Wednesday commentary where it said that the economic outlook remains highly uncertain and signaled it would keep interest rates near zero for the next three years but didn't offer guidance around additional stimulus measures or its inflation targets. China on the other hand, had a very stable week, with positive returns from the stock market, encouraging trade data and freight volumes. The China US tech battle continues as the Trump administration on Friday said that it would ban TikTok and WeChat from Apple and Google app stores in the U.S., but the former has escaped the ban (as of now) as President Trump has approved in principle the deal with Oracle and Walmart investing in TikTok Global.

Treasuries remain range bound with the 10-year settling at 0.69%. Gold also remains in a range, slightly higher at \$1958 but the week saw no flight to safe haven assets, in spite of the spike in volatility with the Vix Index at 25, elevated compared to long term average levels. However, January options around the Vix and the Spider Gold Trust have notably increased. Oil saw gains c.8-10% for the week, with lower inventories in the U.S. and Brent ended the week at \$43/barrel.

The three major U.S. indexes have been down the last 3 weeks, but are still positive year to date. Last week saw them lose just half a percent, stemming the sharper fall seen in the 2 weeks prior. More volatility in the coming months is expected, particularly around the U.S. elections and the earnings season. And as the Democrats and Republicans remain at an impasse over further stimulus for coronavirus relief. Additional support could bolster consumer spending, responsible for two-thirds of the U.S. economy. Data released Friday showed that consumer sentiment in the U.S. increased more than expected in early September, though confidence among Americans remained at depressed levels. Tech is watched closely as the largest constituent of U.S. indices and though it has recently lost a little more than the broader market, it isn't in free fall, a concern after its heady year to date rally. The FANG Index closed positively for the week, though Apple and Amazon have lost over 10% from their peak and are officially in correction territory. Friday also saw quadruple witching in the U.S. markets —when both futures and options linked to individual stocks and stock indexes expire on the same day. A surge in options trading focused on the mega cap technology stocks in recent months, has contributed to increased daily market swings. Tech IPOs are gaining ground with software cloud company Snowflake valued at \$66 billion post its over 100% surge on its first day of trading and at close to a 90 time sale to price multiple, as per analyst calculations. Palantir, a data analytic company is now in the news as the next major tech IPO, along with Ant Groups IPO.

Japan's new Prime Minister policies, referred to as Sugaomics, are broadly expected to be in line with former PM Abe's but while monetary and fiscal policy is expected to remain unchanged, the big difference will be in structural reform with plans to create a new ministry to promote digitisation, which was found to be lacking in Japan during the coronavirus lockdown, as well as support for regional bank consolidation, a minimum wage increase and action to encourage foreign workers. His driving through of reform is likely to be supportive of Japanese equities.

The spread of the virus appears to be stabilizing in the U.S. but retail traffic remains much below 2019, but showed an improvement week on week. However, cases in the U.K. continue to rise which is thinking of a second lockdown, nationwide this time. Local lockdowns cover almost 15% of the U.K. population. The government plans to keep workplaces and schools open while instructing people not to socialise and place restrictions on the hospitality sector. Covid-19 vaccine trials continue. Nine candidates have entered a phase 3 trial, according to the WHO. BioNTech has said it expected to receive emergency regulatory approval from US authorities as early as October. Moderna said trial results may only be conclusive by December and not November as earlier expected.

And we bid farewell to US Supreme Court justice Ruth Bader Ginsburg, R.I. P. A 27-year tenure at the Supreme Court and a pioneering advocate for women's rights. Her death adds uncertainty to an already volatile U.S. election, as a Supreme Court nominee added weeks before the election would create controversy.

Stay safe.

**MAURICE GRAVIER**  
Chief Investment Officer  
Wealth Management  
Emirates NBD

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