



CIO OFFICE MORNING MARKET WRAP – Tuesday July 21st, 2020. ALSO AVAILABLE ON ALEXA

Asian stocks are in the green this morning, boosted by a technology-led rally in the US, progress towards a vaccine and expectations for more stimulus on both sides of the Atlantic. The Nasdaq rose 2.4% to a new record high and the S&P 500 entered positive territory for the year, with both indices propelled by large gains in Amazon and Microsoft, while industrials were little changed. Growth stocks remained well bid on robust earnings and real rates reaching new session lows. Gold found support at \$1,800 to close almost within 5% of its 2011 record level.

The early-trial results of the vaccine co-developed by the University of Oxford and Astra Zeneca showed a promising immune response, which saw the UK-based pharmaceutical company at a point rise as much as 10%. Investors left behind concerns about the risk of stalling momentum in macro data and virus cases rising in 42 out of 50 US states in the week end.

The European Union reached a landmark agreement to issue €750bn of joint debt to help the member states hardest hit by the crisis, which supported European stocks and had the euro reach a 4-month high against the dollar.

Stimulus is moving in the foreground in Washington as well as enhanced unemployment benefits are set to expire at the end of the month, putting Congress under pressure to approve a new relief bill. IBM traded up in the mid-single digits in the after-market session following earnings above analyst expectations. Chevron announced it would buy Noble Energy, boosting its reserves by almost a fifth and paying a mere 7.5% premium. The move is unlikely to spark a flurry of M&A deals, absent widespread balance-sheet strength in the sector.

Towards the end of the week the release of the flash Purchasing Manager Indices will be in focus for confidence in the recovery. The round of post-Brexit talks which started yesterday in London seems set to draw into the autumn amidst “significant differences” on important issues.

Stay safe.

MAURICE GRAVIER
Chief Investment Officer
Wealth Management
Emirates NBD

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