



## **CIO OFFICE MORNING MARKET WRAP – Monday September 21<sup>st</sup>, 2020. ALSO AVAILABLE ON ALEXA**

Asia markets are slightly lower today, after a very positive week. Japan is shut. We expect volatility to continue in global equity markets in September, as election rhetoric heats up in the U.S., tech tensions with China continue and as earnings outlooks for companies is weighed against nascent hopes of economic growth picking up. Global market performance last week was flat, whilst China was in strong positive territory and the U.S. gave up gains to end the week slightly down.

Treasuries remain range bound with the 10-year settling at 0.69% as on Friday and will start trading when London opens. Fed Chair Powell will testify before congressional committees this week along with questions answered by Treasury Secretary Mnuchin to discuss pandemic relief efforts and the focus will be on the Main Street Lending Program, the economy and fiscal stimulus.

Gold remains in a range, slightly higher at \$1952. Brent oil is steady, close to \$43 a barrel. GCC markets continue their 3Q rally and are holding onto the recent gains. M&A activity as seen globally is reflected in the region too.

The U.S. Dollar is near its lowest level for a year, facing headwinds from slower economic growth and lower U.S. yields. The Sterling which had been on a recent upswing lost some ground last week falling to \$1.295, on worries on a no deal Brexit and as the Bank of England kept its rate unchanged at 0.1% and indicated the possibility of negative interest rates.

China's currency on the other hand has rallied in recent months, as export growth and investor appetite for onshore debt have sent inflows of dollars into the country. China appears to be on a strong recovery path and there have been upgrades to economic growth. The onshore-traded Renminbi firmed to Rmb6.7692 to the dollar on Friday. Copper prices reached their highest levels, in two years to \$6,850 a tonne, backed by strong demand in China, the largest consumer of copper.

There seems to be more hope on manufacturing picking up, with materials and industrials the best performing sectors globally in September so far. Very low inventories should create re-stocking demand into the end of 2020 and into 2021. A rotation into more cyclical industries as the economy recovers, aided by additional fiscal support, is now looking more plausible, though capex plans are yet to see any light.

Donations to Democratic candidates have increased following Ruth Bader Ginsburg's death as the conflict over the Supreme Court vacancy heats up and Pres. Trump is expected to announce a nominee this week. With mail ballots expected to be a key part of the forthcoming elections, the role of the Supreme Court becomes key in the case of any controversy on results.

Oracles bid for the U.S operations of Tiktok have been approved in concept delaying the ban. Both Chinese social media apps are functional in the U.S. as a California judge has temporarily blocked a US Department of Commerce ban on WeChat suspending the order for Apple and Google to remove WeChat, which is owned by Chinese technology group Tencent, from their app stores just hours before it was due to be implemented.

In Europe, the upward trend in new virus cases continues in most major countries. Asia new cases remain low, though though India is seeing significant spread, second only to the U.S. in total number of cases. Brazil appears to have passed its first peak. The U.S. is now steady at an additional 40,000 cases daily. The U.S. will opt out of an international effort dubbed the COVID-19 Vaccine Global Access Facility, or COVAX, which is in participation discussions with more than 170 countries. The program is co-led by the WHO, the Coalition for Epidemic Preparedness Innovations (CEPI), and the GAVI vaccine alliance.

Stay safe.

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