



## CIO OFFICE MORNING MARKET WRAP – Wednesday July 22<sup>nd</sup>, 2020. ALSO AVAILABLE ON ALEXA

Markets are off to a mixed start as of the time of writing, with Asian stocks showing no clear direction and US futures slightly in the green. Yesterday US equities finished off the highs of the day, in spite of good earnings and the boost of new stimulus in Europe. The US dollar weakened across the board, gold approached a record and crude oil was strongly bid as well. The Dow Industrials, +0.6%, outperformed both the S&P 500, +0.2%, and the Nasdaq which finished well in the red, -0.8%.

Europe set the initially positive tone for other markets with the approval of a landmark €750bn recovery fund to fight the crisis. For the first time ever the member states agreed to a joint fiscal backstop large enough in scale and reach which provides crucial help to Southern Europe and relieves some of the stimulus pressure from the ECB. The euro jumped to an eighteen-month high although the rally in the Euro Stoxx faded.

Cohesiveness on the other side of the Atlantic was contrasted with difference of opinions on a corona virus budget plan between the White House and Senate republicans. The possibility of a fiscal cliff is looming larger as the process of rolling over enhanced unemployment benefits set to expire at the end of this month could spill into August. President Trump restarted his coronavirus briefings and in an unusual change of tone announced that the pandemic will “get worse before it gets better”, at the same time encouraging people to wear masks.

The rally in crude prices, which saw US energy stocks rise more than 6% and was sparked by the new aid measures in Europe, is losing steam today after a report showed an inventory build-up versus an expected draw. According to another forecast US gasoline demand may still be below normal levels during summer, suggesting current oil market pricing is not fully reflecting the prevailing surplus conditions.

Gold came closer to the all-time highs set in 2011 as the conviction sinks in that much more money must be spent to help the economy recover. We recently took partial profit on our overweight positioning seeing little potential downside in real rates following the run-up in inflation expectations and Treasury yields being close to the lower bound.

Tensions between the US and China were again in the foreground following accusations that Chinese hackers stole intellectual property and coronavirus research data from Western firms and Mike Pompeo’s call addressed to the UK for a “coalition” against Chinese pressures.

Coca-Cola gained after reporting earnings above expectations and Lockheed Martin also climbed after beating on revenue as well and raising guidance. Texas Instruments gave strong forecasts but cautioned against the economic outlook. Snap share prices tumbled in late trading after the company reported a number of daily active users trailing its own forecasts. Microsoft and Tesla’s releases will be in focus today.

Stay safe.

**MAURICE GRAVIER**  
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