



CIO OFFICE MORNING MARKET WRAP – Tuesday September 22nd, 2020. ALSO AVAILABLE ON ALEXA.

The September autumnal equinox on September 22nd, with the sun moving from north to south, brings around a change of seasons. The start of the week saw a sell off for most asset classes, starting with European equity markets and followed by the U.S. We are seeing a second but milder day of risk off, with Asian markets slightly down this morning, but financials hard hit. Monday saw global equities lose 1.6%, now flat year to date in total returns. The volatility Index Vix was up at 28, but has seen much higher spikes this year and going into year-end we expect continued sharp movements, with volatility a norm rather than an exception. Oil fell 4.4% with Brent trading at \$41.5 a barrel. And gold fell 2.6% and is trading this morning at \$1908. The only haven buying was 10 year treasuries with yields falling to 0.66% and the Yen which strengthened to 104.55. The US Dollar also strengthened by 0.6% but whether this will trend will continue is uncertain, as it remains close to its lowest level in the last one year.

U.S. stocks extended a three-week decline, with materials, industrials and energy which had shown green shoots in September, leading the decline. This follows record highs from the U.S. indices at the beginning of September with a wide range of headwinds now more visibly in play. Supreme Court Justice Ruth Bader Ginsburg passing has created uncertainty regarding the vacancy in the high court, creating political uneasiness ahead of November's presidential election. A spike in cases of COVID-19, notably in Europe and continuing to rise in India and Brazil raises questions around the global economic recovery and the impact of a potential second wave with the consequent lockdowns. Additional relief stimulus remains uncertain before the election. The S&P 500 reversed sharp intraday losses closing down 1.2% for the day and the Nasdaq Composite closed almost flat, also reversing its earlier sharp intraday fall. It was the COVID winners which led the indices to recover with digital payment companies, streaming, ecommerce and gaming stocks rallying on the day.

The Eurostoxx fell 3.6% yesterday, led by the German Dax which fell 4.4%. Swiss equities were more resilient, as they are seen as a safe haven. Energy stocks fell in line with oil and BP is now trading at a multi decade low. The banking sector in Europe too, was particularly hard hit. Suspicious activity allegations towards select global banks led to their sell off. HSBC is trading at a 25 year low and continues to trade lower this morning in Hong Kong. Other European banks also sold off. The global travel sector was the hardest hit with the virus raising concerns around travel and leisure. In the U.K. British Airways owner IAG fell 12%, while Trainline fell 10% and InterContinental Hotels closed down 5%. In the U.S. United Airlines fell 9%. This adds to an already 40% fall year to date for the global travel and leisure sectors.

However, despite the uncertainty of the virus and the stand-off between China and the U.S. on trade and tech, central banks and government support remains very much in place. Also China, the largest contributor to global economic growth has staged a quick turnaround to normal activity, bolstering hopes of other global economies following, once the virus abates. The current pull back is more gentle than March and the elevated valuations and resurgence of the virus were obvious catalysts to markets reverting to more reasonable levels.

TikTok remains in focus amid conflicting reports regarding the video-sharing app's partnership with Oracle and Walmart. Nikola the electric truck maker fell after the founder announced he is voluntarily stepping down. Nikola has been a darling of day traders. M&A activity continues and Microsoft went ahead with acquisitions to bolster its gaming ambitions.

Stay safe.

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