



## **CIO OFFICE MORNING MARKET WRAP – Thursday July 23<sup>rd</sup>, 2020. ALSO AVAILABLE ON ALEXA**

Yesterday US stocks clung to modest gains, Europe closed in the red, and as of the time of writing Asia is mixed to steady in the morning session. The US dollar weakened across the board, trading close to its early March lows against DM peers, with the euro exerting the bulk of the downward pressure.

The approval of the recovery fund at the European summit held on the weekend has improved the post-crisis outlook for the common area, partially shifting the relative macroeconomic balance between the North American and the European block, hence forcing investors to reassess the premium for the dollar as a haven currency.

Gold marched higher supported by sinking real rates. US 10-year Treasury yields were little changed at 0.6%, even as inflation expectations came almost within reach of the 1.5% mark, pushing US 10-year real yields closer to their all-time low of -1%.

The US-China standoff took a sudden turn for the worse and weighed on risk markets, when the US ordered China to close its consulate in Houston within 72 hours for reasons related to intellectual property and private information protection. President Trump said “it is always possible” that more diplomatic missions are shut down.

On the virus front the chorus of expert voices dampening expectations about the vaccine being a cure-all solution against the pandemic is only getting louder recently. Professor Farrar, member of the advisory board to the UK government, said that “even, actually, if we have a vaccine or very good treatments, humanity will still be living with this virus for ... decades to come”. Pfizer signed an agreement with the US government for \$2bn worth of supply of its experimental vaccine, for a price tag of at most \$20 per dose, setting a precedent for how much in the future other companies will be able to charge in similar deals.

Transactions executed this month by corporate insiders on the equity market point to rising pessimism, with insider sellers outpacing buyers by 5-to-1, as against their buying of US stocks in March suggesting a bottom in place.

As for the reporting season, Microsoft beat both on revenue and profits, while Tesla was again profitable, raising odds of its inclusion in the S&P 500.

Highlights in the economic calendar are the release of the Leading Economic Indicators in the US today and of Flash Manufacturing Purchasing Manager Indices tomorrow across the major developed countries.

Stay safe.

**MAURICE GRAVIER**  
Chief Investment Officer  
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