



CIO OFFICE MORNING MARKET WRAP – Thursday September 24th, 2020. ALSO AVAILABLE ON ALEXA.

The markets continue to be volatile and most major equity indices are on track to post their first monthly decline, since March. Asian markets are trading down this morning by 1 to 2%. Global equities fell 1.5% yesterday and emerging markets had a better day losing just half a percent, whilst developed markets were down 1.6%. U.S. stocks accelerated losses, into the close, with tech and energy absorbing the majority of the fall. Election and virus uncertainties remain a focus and overshadowed the upbeat global reports on September manufacturing and services sector activity. Fed Chair Powell continued his Congressional testimony, consistent with the day before as he reiterated the Fed's commitment to supporting the economy, but noted that additional fiscal support will be needed, as uncertainty remains. Treasury yields were mixed and the U.S. dollar gained ground. The pound extended declines to a two-month low, on investor anxiety about the risk of a new lockdown. Crude oil prices were slightly higher, but have given up the small gains this morning. Inflation expectations dropped on a risk off mood pushing real rates higher. Gold saw pressure even with the small rise, i.e. 2 basis points in real rates.

Yesterday in numbers: The S&P 500 fell 2.4% and the NASDAQ 3.0%. Gold spot price dropped 2% to \$1,861 per ounce, and the Dollar Index moved 0.4% higher to 94.39. Surveys of U.S. purchasing managers indicated manufacturing and service-sector activity kept expanding this month, though at a slightly slower pace than in August. European equities climbed for a second day, helped by strong manufacturing data, while U.K. stocks got a boost from the weaker pound. Eurozone manufacturing output grew at a faster pace than expected, with German output noticeably accelerating, but services sector growth surprisingly declined to a level depicting contraction. The export-heavy FTSE 100 Index rose 1.5%. U.K. manufacturing and services sector output both remain in expansion territory. UAE markets saw the Dubai Index gain close to a percent while the Abu Dhabi Index was flat. The KSA was closed for National Day.

In company news, Jack Ma's Ant Group Co. is seeking to raise \$17.5 billion in its Hong Kong share sale, with a corresponding amount in Shanghai. New stock will equal to about 11% to 15% of the shares outstanding. This could be the world's largest IPO, at \$35 billion in the dual listing at a valuation of about \$250 billion. Nike's upbeat earnings results took the stock up 9% and Johnson & Johnson's experimental single-dose COVID-19 vaccine has entered the final stage of testing, supporting yesterday's outperformance from the healthcare sector. California bans all gasoline and diesel powered cars from 2035 but that did not lead to gains for Tesla and the stock fell 10%. Tesla was again in focus, following the high expectations leading into its "battery day" event. During the event the company announced a plan to build a \$25,000 car, while improving battery range by 54% and cutting battery costs by nearly 50% over the next 3 years. Putting pressure on the tech sector, the Justice Department submitted a proposal to Congress to curb longstanding legal protections for internet companies and force them to shoulder more responsibility for managing content on their sites. However, the coronavirus pandemic will only accelerate shifts to a more online world that will continue to provide major demand for digital services. At the same time, worries have increased that this year's rally may have stretched valuations.

Stay safe.

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