



**CIO OFFICE MORNING MARKET WRAP – Thursday June 25<sup>th</sup>, 2020.  
ALSO AVAILABLE ON ALEXA.**

No two days are the same in markets. Indeed, the session two days ago was marked by cheerfully good macros, positive tariff news and the usual virus gloom, while yesterday's saw the prospect for worsening macros, potentially more tariffs to come and, of course, a much-to-be-expected bleak pandemic update.

Equities slumped across the board, with the main US benchmarks overall down more than 2.5% and European stocks showing an even larger fall. The US dollar more than offset the previous day's losses and crude oil retreated on woes compounded by inventories well above expectations.

No sooner had president Trump soothed investors with the declaration that the China deal is "fully intact", than he turned his attention to considering fresh tariffs on imports from the EU and the UK. The possibility of a transatlantic trade fight sparked a flight to quality and had non-dollar-centric risk assets reverse into underperformance.

Americans could be banned from travelling to the European Union on safety concerns as officials reconvene shortly to discuss border controls. Although at first sight this might come across as some form of tit-for-tat, indeed it catches even the layman's eye that the US, with 4% of the world population, accounts for 25% of global covid-19 deaths.

It may be now flashing through investors' minds that the prospect of slower re-openings on virus flare-ups could indeed slow the recovery down and make the contrast between the dire state of the economies and liquidity-inflated equity valuations all the more glaring. This insight would tie in with the newly published IMF Outlook, which projects a deeper global recession on the growing virus threat. It would also vindicate our latest tactical shift to cut equities to underweight to have the bulk of portfolio risk on the less choppy waters of corporate and EM credit.

Investors from all walks of life who loath political uncertainty should be cheered by Joe Biden's opening the largest polling lead over Trump in this year according to a nationwide survey published yesterday. No two market days are the same. The survey results beg the question of whether we could be in for two very different US presidencies.

Stay safe.

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