



**CIO OFFICE MORNING MARKET WRAP – Tuesday July 28th, 2020.
ALSO AVAILABLE ON ALEXA.**

It's a strong start to the week for global markets as markets anticipate more fiscal and monetary support in the US. On Monday, global stocks rose 0.4% on average, with an outperformance of the US closing their session at +0.9%. Emerging Markets were also well oriented, up 0.7%. The price of Brent crude oil moved up 0.3% supporting our regional markets, also positive, led by Abu Dhabi up 1%.

As we pointed out yesterday, one of the key events of this week is the planned expiration of the US Federal Pandemic Unemployment Compensation program which was basically sending a weekly \$600 bonus to unemployed people. The program had distributed well over a trillion US dollar so far and was a major reason behind the stability of personal income in a consumption dominated economy. As the virus is not yet under control in America, and as the elections are only 100 days away, the Senate Republicans unveiled yesterday a \$1 trillion rescue plan which includes extending emergency jobless benefits as well as various measures for consumers and businesses.

It's of course not a done deal yet, but negotiations with Democrats also started Monday evening: the plan will certainly be heavily discussed but there's little doubt that an agreement will be found. The Republicans plan include trimming down the weekly unemployment bonus to \$200 and raising this amount would be a typical goal for Democrats. This hope for another considerable leg of fiscal stimulus was the key driver for yesterday's performance. Such a massive amount, another 5% of the GDP, requires funding.

This is why market participants are increasingly confident in the printing press, as the monthly Federal Reserve Committee will start tomorrow and be followed by a communication on Wednesday. We do not expect any material change to the current policy. However, some measures are also supposed to expire in late September and we have little doubt that Mr Powell will reinforce his commitment to do whatever it takes. It may be as simple as reiterating that rates will stay at zero for longer and that extraordinary measures will be prolonged, or it could be more details about the decision making framework looking forward, which would give investors some visibility.

In such a context, no surprise that the US Dollar continues to trade lower, it was down 0.6% on a trade-weighted basis yesterday and its counterparts are firm this morning. Monetary support, negative real interest rates and a weaker dollar are the perfect backdrop for a Gold fever. The currency that nobody can print reached an all-time high yesterday and as we speak this morning, Gold futures have briefly touched \$2000 some hours ago but the rally is cooling as we write. The same reasons have also supported Bitcoin which trades above 10000.

The early hours in Asia are well oriented, led by the technology-rich Korean index, followed by China, Hong-Kong and Japan, the latter being currently flat. Japanese shares don't like a strong Japanese Yen, In the meantime, there are some areas of hope on the virus front: infections slowed in Arizona and Florida, while there is so far no "second wave" in the rest of the world – arguably the US is still in a very long first wave. Announcements continue to abound on a potential vaccine, the latest being from Pfizer which together with a biotech partner expect to submit their product for regulatory review in October. The earnings season continues, with the most important global names in tech due to release their numbers later this week, with clearly high expectations. There is no major economic data today but many quarterly results from European companies in particular.

Stay safe.

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