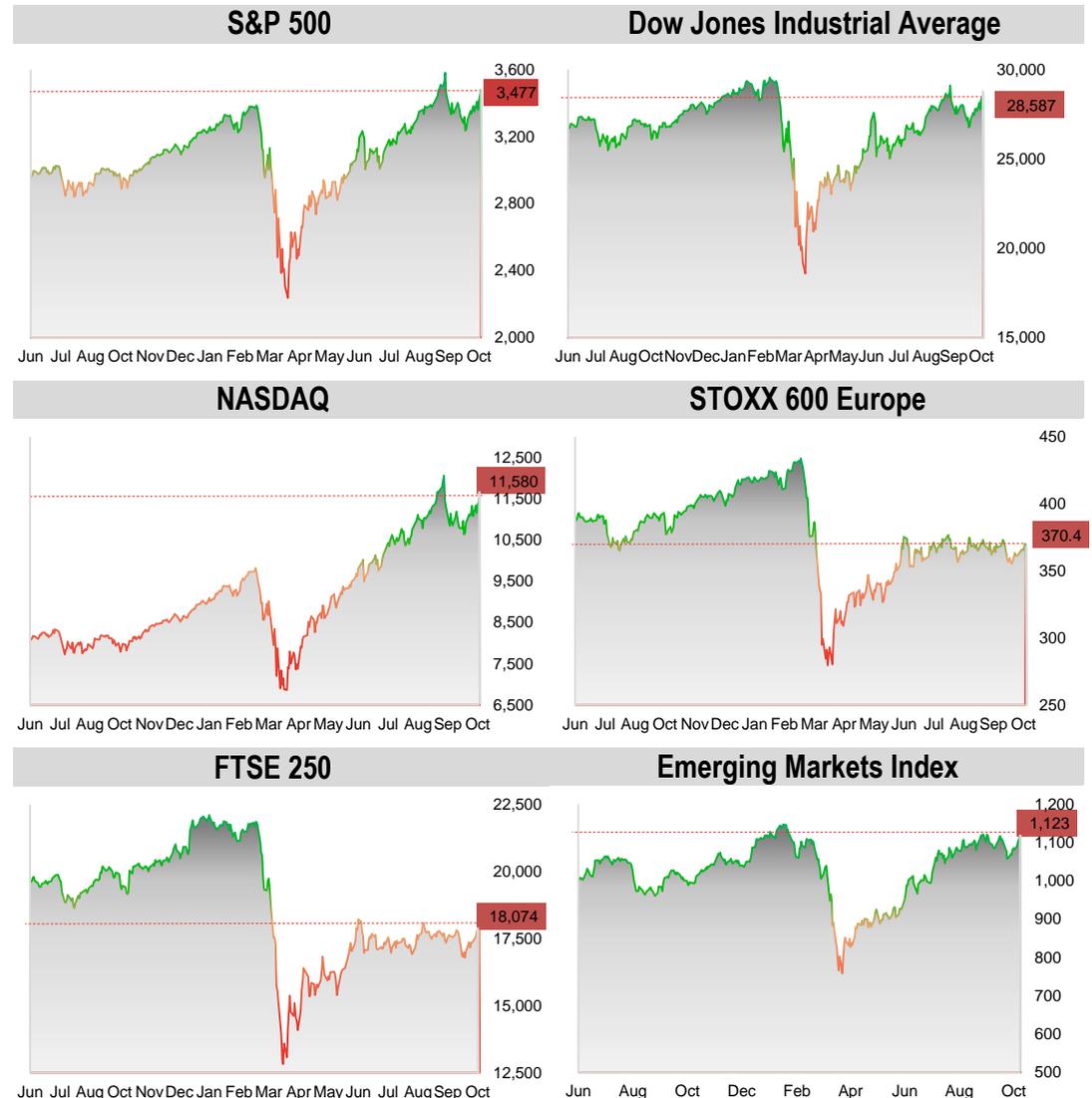


Global Market Watch

Global markets
Periodic
October 13, 2020

What's moving markets

- After a bumpy September, when S&P 500 erased the year-to-date gains reached in the end of August, **US equities rebounded to growth trend in October**. Notably, Donald Trump's positive test for COVID-19 have shaken the markets, nevertheless hopes on fresh stimulus package have helped US equities. S&P 500 posted an impressive 3.8% weekly gain in the first week of October, the best in 3 months, while technology heavy NASDAQ was trading close to all-time high level hit in the beginning of September (+4.6% w/w).
- **Investors are betting on additional fiscal stimulus from US**. Donald Trump tweeted that he had instructed his representatives "to stop negotiating until after the election when, immediately after I win, we will pass a major Stimulus Bill that focuses on hardworking Americans and Small Business". Nevertheless, House Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin remain in contact, supporting market sentiment. Notably, Donald Trump raised the additional stimulus package from US\$ 1.6tn to US\$ 1.8tn. Although, odds for the next President are in favour of Democratic candidate Joe Biden (59.1%), this might turn out to be wrong as it was the case in 2016 elections.
- The World Trade Organisation (WTO), in its press release of 6 October, **expects global merchandise trade to contract 9.2% y/y in 2020**, improved from its previous forecast of 12.9% y/y. Strong trade performance in June and July have been the main reasons for optimism. World trade is expected to grow by 7.2% y/y in 2021.
- **European stocks, including STOXX 600 and FTSE 250 have finished the first week of October in green**, despite the rising COVID-19 cases. STOXX 600, which is a region wide index, posted a 2.1% weekly gain, while FTSE 250 was up 2.9% w/w in 1st week of October. This comes against a relatively poor economic data, as UK's economy grew by 2.1% in August, below consensus forecast. Brexit talks between the UK and EU have intensified as Boris Johnson warned that the UK would quit negotiations if there is no clear deal by Oct. 15.



Source: Bloomberg
Note: Data as of 9 October 2020

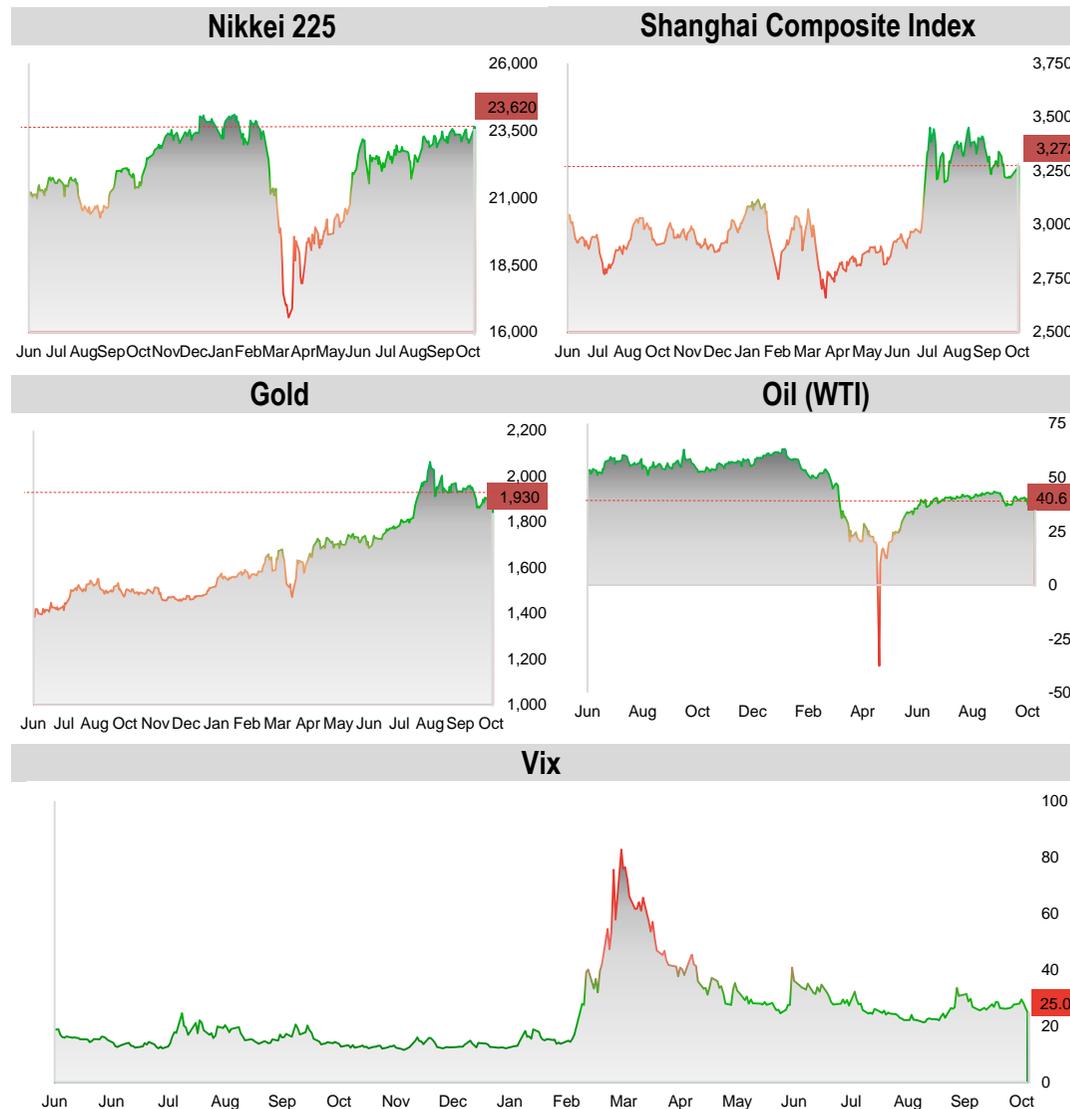
- China's recovery strengthens, with manufacturing PMI index up by 0.5 to 51.5 in September. Notably, The Caixin/Markit services Purchasing Managers' Index rose to the highest level since June, reaching 54.8 in September, up from 54.0 in August. The services sector accounts for about 60% of the economy and 50% of urban jobs. Notably, firms hired more for the second month in a row, indicating recovery in the labor market.
- On 9 October, China's renminbi posted the biggest one-day rise in 15 years, with the currency jumping 1.5%. The renminbi rally is fed by the increased demand on Chinese assets from foreign investors supported by track record in recovery. Furthermore, increasing chances of Biden's presidency, help Chinese currency and stocks, as Biden's administration is expected to be less controversial.
- **In Japan**, Nikkei 225 index surged in the first week of October, posting an impressive 2.6% weekly gains (best in 2 months)

Commodities

- In the first week of October, another hurricane - Delta – hit the gulf coast, shutting down c. 92% of crude output in the Gulf of Mexico. Oil prices gained on the news, trading above US\$ 40.0/barrel by 9 October. Brent oil also increased, reaching US\$ 42.8/barrel in the same period.
- IEA expects oil demand to return to pre-pandemic levels from 2023 in its annual outlook, but forecasts demand to be low in the next decade due to alternative energy sources. This is in line with the BP's outlook for slowdown in oil demand over the next 30 years. In contrast, OPEC expects oil demand to keep growing for the next two decades.
- After hitting the all-time high level of above US\$ 2,000 in August, gold prices hit six-week low by end of September reflecting stronger dollar and raising doubts on further stimulus from the US Fed. In the first week of October, gold has gained strength, trading at US\$ 1,923/ounce by 9 October.

Volatility

- Cboe Volatility Index, VIX, the gauge of fear in S&P market, has retreated from September highs, the index was down to 25.0 by 9 October.



Source: Bloomberg
Note: Data as of 9 October 2020

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