

**25-09-2020****Nikolas Stylianou**

**US markets** – US stock market began the previous week higher with Dow Jones Industrial Average on futures market up around 300 points, or 1%, while SP500 on futures market added 1.2% and Nasdaq soared by 1.5%. Investors' confidence was enhanced after Gilead reached \$21 billion deal to acquire immunomedics and Nvidia agreed to buy \$40 billion arm holdings from Japan's Soft Bank. Despite investors' confidence and sentiment boosted at the beginning of the week amid positive news of the vaccine developments, we have seen a selloff in US equities by the end of the week. As it was expected Fed left unchanged the interest rate until 2023 and led the stock market retreat ahead the report. Powell says economic scars of unemployment, foreclosures, and evictions are a risk without additional fiscal stimulus from Congress. US equities ended the Friday session with losses, as investors were pessimistic as they digested Federal Reserve chairman Jerome Powell's economic views, along with unstable economic data. Interest rates will remain near zero until 2023, but another of coronavirus aid package is controversial at this stage and this may harm even more the stock market. Last week US equities market had its longest weekly losing streak in about a year as investors were expecting new stimulus package from the Fed. This week US equities on futures market changed from lows and tried to bounce back.

**Asian** - Shares of Japan's SoftBank Group have surged by 10.26% in last week's first trading session, following an announcement that the company was set to sell UK chip designer Arm to US chip company Nvidia. Investors were eyeing on Chinese economic outlook report on retail sales for August, which came out with increase of 0.5%, alongside with an increase of 5.6% in industrial production according to country's National Bureau of Statistics and led the Asian stocks higher. Later investors reacted negatively after Fed announcement last week and led Asian stocks fell even more. The majority of Asian equities in Singapore were higher by last Friday as the onshore Chinese yuan gained further to 6.75 against dollar. The regional moves in tech stocks came amid renewed pressure seen in stocks of their counterparts on Wall Street. Asian equities began this week lower after US equities fell for third consecutive week. Many technology stocks on SP500 benchmark declined and investors worried that stocks may become too expensive. Benchmarks in Shanghai, Hong Kong and Sydney retreated. Japanese markets were closed for a holiday. The Shanghai Composite Index lost 0.2%, while the Hang Seng in Hong Kong HIS shed by 0.6%. South Korea's index Kospi was slightly up by 0.1%.

**European Markets** – European equities along with stocks globally were getting boost last week from hopes over vaccine developments of phase 3 trials from AstraZeneca efforts within UK, after trials were halted over safety worries. European stocks opened higher last week, boosted by the resumption of coronavirus vaccine trials. European equities fell along with US and Asian stocks after Fed report last week. Soft trading observed in European equities by the end of the week as investors digested the rise in coronavirus infections across Europe and globally, along with the prospects of economic recovery and further declines on U.S. tech giants. European equities were expected to begin this week lower as allegations surrounding bank dealings and rising coronavirus infections weigh on market sentiment around the world. Investors will be oversighting bank shares as there are reviews that massive sums of suspicious funds were allegedly moved. Investors now focus ahead of this week's meetings and announcements.



**Gold Market** - Spot gold rose by 0.3% to \$1,946.66 per ounce by early trading session beginning of last week, while US gold on futures market jumped the same by 0.3% to \$1954 per ounce. A weaker dollar makes gold less expensive for holders of other currencies and cheaper to be purchased so its value can further increase. As long as banks will adopt unprecedented stimulus measures, along with low interest rates gold will be gaining value. Spot gold was traded lower by 0.8% at \$1,943.70 per ounce following neutral closing day after the Fed meeting last week. U.S. gold futures slipped 1% to \$1,950.50. Fed did not provide any new stimulus packages, but the dollar climbed as Fed painted a favourable economic recovery. Gold prices increased by end of the week as negative U.S. jobs data cast a shadow over the economic outlook, and major central banks committed to roll out further stimulus if required to revive their coronavirus-battered economies. As the markets are still not trustworthy and there is a possibility of new coronavirus wave, banks are making huge profits from gold as investors flood into a market. Investors keep an eye for Fed policy-makers speech within this week and wait to see if the Fed aims to provide new stimulus package. Gold has surged about 29% this year as governments and central banks worldwide released unprecedented global stimulus measures.

**Oil Market** – U.S. West Texas Intermediate crude oil in futures market were up 18 cents, or 0.5%, at \$37.51 per barrel beginning of last week, while Brent crude oil gained 9 cents, or 0.2%, to \$39.92 per barrel. As global oil supplies grow, demand slows and taking into consideration a second wave of the virus, it might worsen. Investors have concerns over the slowdown in fuel demand and oil prices fell and all eyes turned to OPEC meeting and its allies later on the week. Distillate stockpiles rose by 3.5 million barrels last week, U.S. Energy Information Administration data showed last week – nearly six times more than analysts had expected. Oil prices have been extending their gains as a hurricane disrupted U.S. offshore oil and gas production and an industry report showed a big drop in U.S. crude stockpiles, because this way the production necessarily decreases and led the price increase. WTI and Brent fell sharply Friday after Hurricane Sally cut US oil supply and OPEC and its allies laid out steps to address market weakness. Goldman Sachs predicted the market would be in a deficit of 3 million barrels per day by the fourth quarter and restated its target for Brent to reach \$49 by the end of the year and \$65 by the third quarter of next year. This week WTI crude increased to \$41.22 per barrel in electronic trading on the New York Mercantile Exchange, while Brent, advanced by 9 cents to \$43.24 per barrel. The rise caused from a tropical storm which halt some oil production, however new virus infections still create weaker demand.

**Foreign Currencies** – The Euro got positive tone beginning of last week, on fresh risk sentiment over renewed hopes for a virus vaccine and was currently traded near 1.185 in neutral trajectory. Euro rose even more from the fact that EU industrial production rose by 4.1% in July, following a revised 9.5% climb within June. Economists had forecast a 4.0% rise. The European ZEW survey for Europe and Germany was greater than initially expected, however euro struggled to find direction and by the end of the week Euro/Dollar fell below the critical level of 1.18 as the Fed refused to signal imminent stimulus despite painting an uncertain picture of the economy. US jobless claims report was worse than initially expected with 0.860 million unemployment against 0.850 million forecasted and led euro appreciate Friday, along with other negative US data. We have EU PMI ahead of the week and new coronavirus cases still weight on investors sentiment. GBP/USD has been unable to rise last week as the controversial legislation may derail a deal between the EU and the UK. In opinion of FX Strategists at UOB Group, the probability of further downside in Cable appears to have lost momentum in past sessions. Despite the well better than

expected UK consumer inflation figures report, bulls ignore that. Friday, GBP/USD was trying hard to extend the recovery from the dovish Bank of England (BOE) policy decision which induced sell-off to 1.2865, as BOE on recent announcement noted that will examine a possible scenario of adopting negative rates to confront the virus and a potential no deal-Brexit. Pound/Dollar remained below 1.30 psychological level this week, after it witnessed some selling pressure during Friday, as investors are pessimistic about Brexit and coronavirus new cases overshadowed investors' confidence. In opinion of FX Strategists at UOB Group, Cable could now move within the 1.2800-1.3100 range in the next weeks. Japan elected new Prime Minister and led Yen appreciated as it was initially predicted from FX Strategists at UOB Group. The Bank of Japan (BoJ) kept monetary policy steady by the end of last week and the BoJ said the Japanese economy has started to pick up but remained in "a severe situation" due to the impact of the coronavirus pandemic at home and abroad. The BoJ's optimistic economic evaluation underpinned the Japanese yen and Dollar/Yen dropped to 104 price level. A break below the 104.28 will indicate a sell signal. The negative view in the pair is seen modest if we observe a break above 105.2 according to FX Strategist at UOB Group.

HSBC shares in London fell as much as 5% to 288 pence, the lowest intra-conference level since 2009. Shares of HSBC in Hong Kong and Standard Chartered in London today plunged to their lowest level since 1998, following reports that they and other banks had raised large amounts of allegedly illicit funds for nearly two decades despite warnings about the origin of the money. Reports on BuzzFeed and other media outlets were based on "suspicious activity reports" (SARs) prepared by banks and other financial institutions to the US Treasury Department's Financial Crime Network, FinCen. The revelations reflect the difficulties faced by regulators and financial institutions in trying to stem the flow of dirty money despite the billions of dollars of investment and fines imposed on banks over the past decade. StanChart shares fell as much as 4.6% in London to their lowest level since 1998, amid a wider sell-off in the market, with the European banking index STOXX falling 4.8%.

### Weekly News 21-09-2020 – 25-09-2020

Time (GMT+3)	Event	Impact
04:30 am 21.09	CNY PBoC Interest Rate Decision	High
15:30 pm 21.09	USD Chicago Fed National Activity Index (Aug)	Medium
17:00 pm 21.09	USD Fed's Chair Powell speech	High
10:30 am 22.09	GBP BoE's Governor Bailey speech	High
15:00 pm 22.09	EUR ECB's Panetta speech	Medium
17:00 pm 22.09	USD Fed's Chair Powell testifies	High
05:00 am 23.09	NZD RBNZ Interest Rate Decision	High
11:00 am 23.09	EUR Markit PMI Composite (Sep) PREL	High
17:00 pm 23.09	USD Fed's Chair Powell testifies	High
03:00 am 24.09	EUR EU Leaders Special Summit	High
10:30 am 24.09	CHF SNB Monetary Policy Assessment	High
17:00 pm 24.09	USD Fed's Chair Powell testifies	High
17:00 pm 24.09	GBP BoE's Governor Bailey speech	High
03:00 am 25.09	EUR EU Leaders Special Summit	High
15:30 pm 25.09	USD Durable Goods Orders (Aug)	High
15:30 pm 25.09	USD Nondefense Capital Goods Orders ex Aircraft (Aug)	High

