**09-07-2020**

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**US markets -** Beginning of last week was the worst day for Dow since early June as Covid19 infection cases climb even higher with U.S. recording huge number of virus cases and this led to prevent some businesses to reopen, mainly in Florida and Texas. Later on, the previous week US stock markets advanced higher, despite the rising virus cases, investors were positive after a report showed that pending home sales in May spiked 44.3% against April data. Additionally, Fed Chairman Jerome Powell noted that the outlook of US economy is "extraordinarily uncertain" and signalled more monetary stimulus may be necessary and promised that Fed will establish another 11 emergency mending facilities. Positive data also came out for consumer's confidence and increased home prices and this led both the Dow and S&P 500 index to book their best quarterly performance in more than 20 years. Fed on last FOMC meeting voted to hold the short term borrowing between 0%-0.25% as promised in early June until at least 2020 and their aim is to focus on the inflation rate rather than unemployment rate. The median GDP projection from Fed was about 6.5% contraction, followed by an increase of 5% in 2021 and 3.5% the following year. . Dow Jones and the SP500 index have gained nearly 40% since late-March low as the COVID-19 pandemic roiled investor confidence, and the Nasdaq Composite gained nearly 50% over the same period. US Stocks jumped slightly higher this week, as investors took into consideration the efforts of the economy's reopening in the face of climbing coronavirus cases with the technology shares rising and leading the broader market higher.

**Asian Market** – Stocks in Hong Kong, Japan and Australia began lower last week due to the increase in virus' infections. China's central bank announced that will proceed by implementing new monetary tools to ensure that liquidity is sufficient and said that will increase the proportion of smaller companies, credit and manufacturing loans and continue lowering lending rates. Although the Sino-American tensions, Asian stocks went higher later on the week, due to the announcement that China's manufacturing sector grew more than expected during June at the rate of 50.9 against 50.4, an indication that global economy is trying to recover and along with positive vaccine developments. Investors seem the Sino-US tensions have been overcome and are mainly focused on upcoming company earnings. Chinese stocks extended their gains for eighth consecutive session after data came out showing the country's month to month consumer inflation rose in June. The prices of producers fell for fifth day in a row but at a slower than expected rate.

**European Markets -** ECB's President Christine Lagarde said the worst of the coronavirus crisis may be over, but the road ahead would not be easy. "That recovery is going to be incomplete and might be transformational," she said, during the online Northern Light Summit according to CNBC. European equities outperform the US stocks during last week as investors remained confidence amid positive sentiment in Asia after China's factory activity jumped to a three-month high during June. Stoxx600 performed its best quarter since 2015. European stocks dropped later as German unemployment data showed 627,000 people filed in May, a 48.5% gain on the year-ago period, as the IFO Institute predicted a slow recovery for the economy and also this caused amid news that pan-European aerospace giant Airbus, plans to dismiss 15,000 employees. EU stocks advanced higher at week's closing as U.S. economy added 4.8 million jobs in June, adding to the global optimism engulfing investors, however European markets fell this week as investors kept an eye on rising coronavirus cases, Brexit negotiations and growing tensions between Washington and Beijing.

The European Fiscal Board (EFB) in the Eurogroup continues to implement fiscal support measures in the Eurozone and in 2021. At the Eurogroup meeting this afternoon, the finance ministers will discuss the fiscal situation in the Eurozone in view of the preparation of the budget plans for 2021.

**Forecasts**: In its report, the EFB states that all international financial institutions forecast a deep recession in the Eurozone of 8% or more this year and a partial recovery in 2021, while the downside risks are significant.

**Gold Market** – Last week there was a thought that indicated that gold is being manipulated from the Federal Reserve, taking into consideration the unexpected lower prices as crisis exists, however gold finally surpassed the significant level of $1800 per ounce during this week and it was the first time since 2011 as investors piled into the precious metal asset amid mounting fears of a second wave of coronavirus cases. Gold ETFs have reached more than 650 tons during yesterday for year to year inflows according to Bloomberg and Goldman Sachs set a 12-month price target at $2000. The upward movement in gold market justifies the seriousness of the increased number of new coronavirus cases. "Lingering risks across the global risk markets and sliding sovereign yields continue pushing capital into gold," wrote Ipek Ozkardeskaya, senior analyst at Swissquote Bank. Gold prices have ended the second quarter above a major level of $1780 per ounce. Gold prices will be affected a lot from the market sentiment amid US-China tussle from virus woes. Interesting is that Reuters reported that record-high gold prices and coronavirus pandemic-imposed closure of international air travel led to an 86% plunge in India's black gold imports in June. The world's second-biggest consumer of the precious metal imported around 11 tonnes of gold in June, down from 77.73 tonnes a year ago. Gold prices remained at highs as strong US jobs data and hopes of a coronavirus vaccine has lifted global risk sentiment, but analysts say that the increasing number of coronavirus cases and hopes of more stimulus will aid gold at lower levels.

**Oil Market –** Members of the OPEC and group of countries that agreed to decrease oil production since April must continue comply until the end of July. However, some countries that did not comply with oil cuts as they promised will implement deeper reductions in the coming months to offset the shortfalls. Iraq, Nigeria, Angola, and Kazakhstan will collectively deliver an additional 410,000 barrels a day of cuts in August and 660,000 in September. WTI prices of around $40 per barrel will be not yet high to put drilling crews back to work From a significant contango market behavior in April, the Brent Crude futures curve has flattened and flipped backwards for the nearest months, wiping out the most important incentive for trading houses to gain profit from the price movements when oil demand crashes. OPEC's Oil supply has fallen by 1.25 million barrels per day during June from May's level, as Reuters reported. Ex-BP CEO Bob Dudley's said that "oil must be sustained at $60 per barrel for US output to rise. Oil prices not only going up due to OPEC historical cuts, but also from the signs that global economies start recovering and demand will increase even more with some limits until the end of the year. Saudi Arabia threatened that will begin an Oil war again unless OPEC members comply with Oil production cuts. Saudi Energy Minister asked Angola and Nigeria to submit detailed pledges to carry extra oil production curbs to West Texas Intermediate. Citigroup analysts think oil may never return to $100 level and that oil is more likely to be at $45 than $60 a barrel in the long-term. WTI price now representing already 300% since April. At the peak of the pandemic back in April, global demand collapsed by around 28 million barrels per day and the new OPEC production cut agreement is helping the market to rebalance.

**Foreign Currencies –** The euro was lowering against dollar last week, due to better than expected US macroeconomics data, reversing earlier gains after a strong weekly opening. Despite euro was traded modestly beginning of last week Commerzbank's Karen Jones expects the currency pair to recover and reach the level around 1.15. Dollar's major counters were appreciated last week amid positive news of COVID-19 vaccine which led dollar in some selling pressure. The final German and EU Manufacturing PMI for June were revised higher, albeit did little to provide any meaningful impetus to the euro pair against dollar. The US ADP report last week's showed that private sector employment rose by 2369K in June against below 3000K forecast. NFP report showed a greater than expected number of people employed during June month by 4.8 million workers against 3 million. Although positive news on jobs report, dollar remained vulnerable against euro as the pandemic infections are increasing day by day in United States. All eyes now turn to comments from ECB President Christine Lagarde and board member Fabio Panetta, who will participate in a Eurogroup meeting. Pound/Dollar last week was fading the bounce to 1.2390 and tried to retest the monthly lows of 1.2315, despite the that UK Prime Minister Boris Johnson commented the economic outlook, stating that the economy stands resilient to this coronavirus crisis. The weakness in pound came from fears of a hard Brexit as the fifth round of negotiations between EU and UK began. The UK Manufacturing PMI news of last week did little to provide any meaningful impetus to the British Pound. Pound struggled against dollar below 1.25 as Brexit remained stuck. Pound was trading below 1.25 against dollar as Top-level EU-UK Brexit talks were postponed until this week amid disagreements, and the UK is continuing to reopen while US coronavirus cases are surging. Negotiations with Britain, which must be finalized by the end of December 2020 may fail, but Brexit talks have resumed for another day to make a deal before UK leaves the block for good. Due to dollar weakness, as stocks advance pound is advancing higher above 1.26 price level, along with the UK Chancellor Sunak who presented 30 billion stimulus package and additional support for the economy at the time where Brexit talks remain stuck. US weekly Jobless Claims, expected to be 1375K against 1427K, and will also be important factor to determine the pair's course. It is expected that US economy may recover sooner than Japan's as Japan rely on exports. Firmer back-end UST yields provided some support for the Dollar/Yen last week, however FX strategists at OCBC, expects the pair to remain within the 106.00-108.00 range and with the 55-DMA at 107.43 to hold the downside, but they noted that the pair could edge higher and re-visit the 108.40 region in the next weeks. Due to positive US Automatic Data Processing (ADP) employment, along with US jobs report, which was better than expected, dollar found support last week. Yen also found support from Japan's PMI news which showed an increase from 26.5 to 45 in June. . The pair is traded modestly this week, the JPY also weakened as the safe heaven assets sold off on global economic recovery hopes.

**Weekly News 06-07-2020 – 10-07-2020**

| Time (GMT+2) | Event | Impact |
|---|---|---|
| 12:00 pm 06.07 | EUR Retail Sales (YoY) (May) | Medium |
| 17:00 pm 06.07 | USD ISM Non-Manufacturing PMI (Jul) | High |
| 17:30 pm 06.07 | CAD Bank of Canada Business Outlook Survey | Medium |
| 07:30 am 07.07 | AUD RBA Interest Rate Decision | High |
| 12:00 pm 07.07 | EUR European Commission releases Economic Growth Forecasts | Medium |
| 20:00 pm 07.07 | USD Fed's Quarles speech | Medium |
| 08:45 am 08.07 | CHF Unemployment Rate (MoM)(Jun) | Medium |
| 11:45 am 08.07 | EUR ECB's De Guindos speech | Medium |


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| 15:00 pm 08.07 | EUR ECB's De Guindos speech | Medium |
| 04:30 am 09.07 | CNY Consumer Price Index (YoY)(Jun) | High |
| 04:30 am 09.07 | AUD Investment Lending for Homes (May) | Medium |
| 15:30 pm 09.07 | USD Initial Jobless Claims (Jul 3) | Medium |
| 10:00 am 10.07 | EUR EcoFin Meeting | Medium |
| 15:30 pm 10.07 | CAD Unemployment Rate (Jun) | High |
| 15:30 pm 10.07 | CAD Net Change in Employment (Jun) | High |
| 19:00 pm 10.07 | USD USDA WASDE Report | Low |


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