

**13-07-2020****Nikolas Stylianou**

**US markets** – Beginning of last week U.S. stocks jumped following the holiday weekend, lifted by the medical technology companies shares, despite coronavirus infection cases surged across several US states. Last week Dow Jones industrial index gained almost 1000 points as investors took into consideration the efforts of the economy's reopening in the face of climbing coronavirus cases. Obviously, the increasing number of new cases threaten the US economic recovery, however technology shares rose, leading the broader market higher. Despite the positive jobless claims report last week, major stock indexes slipped as investors were more concerned about the US's coronavirus resurgence. Getting into this week, US equities advanced higher amid investors optimism over a coronavirus treatment and all eyes turn to this week's news for companies' earnings and Central Banks interest rate decisions. The Fed projects that GDP fell to a record of  $-35.2\%$  in the second quarter of 2020. The unemployment rate shot up from a 50-year low of 3.5% in early 2020 to an impressive 14.7% in April but has since fallen two consecutive months coming in at 11.1% in June.

**Asian Market** – Asian equities were higher last week, as investors seem the Sino-US tensions were overcome to mainly focus on upcoming company earnings. Chinese stocks extended their gains for many consecutive sessions after data came out showing the country's month to month consumer inflation rose in June, however the prices of producers fell for fifth day in a row but at a slower than expected rate. Chinese stocks closed lower on Friday, ignoring the week's advance, as a surge in China concern resurfaced that the increased number of virus cases will hit the global economic recovery. Beginning of this week Asian markets jumped higher after positive sentiment from Wall Street into the region, as investors are expecting to see higher US corporate companies' earnings. Investors await key economic data this week on Q2 GDP, trade, investment, industrial production and retail sales. Investors in Japanese equities markets will closely look at the central bank meeting on Wednesday, although that it is expected to maintain its ultra-easing monetary policy and they also be waiting for May inflation data which will be announced on Friday.

**European Markets** – European Equities remained neutral last week without significant dips or peaks. The EU market fell slightly last week as investors kept an eye on rising coronavirus cases, Brexit negotiations and growing tensions between Washington and Beijing. European stocks were expected to begin higher by the beginning of this week as they did, despite the backdrop of surging coronavirus cases globally, as investors are waiting quarterly corporate earnings report from big banks and companies, hoping that the economic recovery is coming soon. Month-on-month, European industrial production surged by 42.1% in Italy in May, reversing a 20.5% slide from April with interest and French industrial production jumped by 19.6%, reversing a 20.6% slide from April. The pan-European STOXX index rose 0.5%, with miners gaining 1.7% on optimism over China's recovery and surging metal prices. Companies listed on the STOXX600 Pan-European index are expected to announce a 54% drop in second-quarter profit, which is the worst ever reading for Europe, according to Refinitiv data. European leaders will provide details on the 750-billion-euro recovery fund program on a meeting at 17-18 July, and this is a key factor for eurozone stocks.



German Chancellor Angela Merkel, French President Emanuel Macron and other EU leaders will negotiate the EU's stimulus program. The Chancellor is the right person to reach a compromise, says Finance Commissioner Paolo Gentiloni, however he worries that many businesses will bankrupt and warns for a second wave of the pandemic. In an interview, the EU Commissioner for Finance called on EU leaders to agree on a Eurozone bailout plan as soon as possible. "What we have always warned about is now being confirmed: The coronavirus recession threatens to dismantle the Eurozone." The new EU economic forecast shows that the coronavirus crisis is exacerbating economic differences faster than expected. The EU Commission will provide 100 billion in loans to EU countries to finance short-term work programs through the program of Support to mitigate Unemployment Risks in an Emergency (SURE).

Austria sets conditions for the EU Recovery Fund with regard to the Reconstruction Fund to deal with the effects of the coronavirus pandemic. Along with the Netherlands, Denmark and Sweden, Austria is one of the countries that from the outset opposes in the granting of non-repayable grants or aid to countries most affected by the pandemic. The Reconstruction Plan proposed by the European Commission stipulates that out of the 750 billion euros, 500 will be granted as aid and grants and 250 in the form of loans.

**Gold Market** - Gold finally broke above \$1,800 per ounce during last week for 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 for year to year inflows according to Bloomberg and Goldman Sachs set a 12-month price target at \$2000 per ounce. Futures on gold market made a short correction, retreating after touching another historic highs since September 2011, however the bulls sustained the gold price above the significant level of \$1800 per ounce. That was caused from jobless claims report which showed more than one million of unemployed people for the previous week, better than it was initially expected. In case of a second wave of coronavirus the precious metal will be weaker due to the risk appetite. Gold prices continued advancing higher this week after the small correction, the surplus liquidity scenario and safe-haven demand on rising coronavirus cases resume to support the precious metal, as Amit Sajeja said, AVP Research of Commodities and Currencies at Motilal Oswal. As US dollar remain weaker, along with bonds lower yields, gold is holding ground above \$1800 per ounce. Gold futures market began higher this week by 0.4% to \$1808.4, while gold spot is traded at \$1805 per ounce. Gold does not pay interest or a dividend, however when interest rates gets near zero, gold becomes more valuable because investors believe they can get a greater return on their investment and if we consider that gold is priced in US Dollars means when dollar weakens, then foreign investors tend to buy gold, because it is cheaper to them.

**Oil Market** – End of the last week Oil futures went even higher due to rise in US crude imports and Oil prices were increased breaking above \$40 per barrel, following a key report from the Energy Department Administration (EIA), that showed that crude stockpiles increased last week by 5.65 million barrels. West Texas Intermediate crude rose as much as 1.1%, to \$41.08 per barrel, while Brent crude, the international benchmark, rose by 0.9%, to \$43.47 per barrel, at intraday highs. On Friday oil prices slipped shortly and went back below \$40 per barrel as the rising cases of coronavirus threatens the commodity traders, however closed the day higher as the International Energy Agency (IEA) announced its positive forecast

for the Crude Oil during 2020 which caused the increase in oil prices. There is no clear direction yet for crude oil as the investors hesitate whether is a good choice to carry the rally further for oil price, alongside with the unbalance between demand and supply. The oil demand is mainly affected by the new virus cases in several US states, and this lead to the imposition of travel restrictions.

**Foreign Currencies** - Jobless claims report of last week was better than expected and aided dollar to find some support against euro. The pair was traded at 1.12632 and now surpassed again the critical level of 1.13. US unemployment fell by almost 100,000 to a 4-month low, 1.31 million until July 4 as jobless claims announced, and the number of people receiving traditional jobless benefits declined to 18 million until the week ended June 27 from 18.8 million. Given that are a lot of concerns for new virus cases and Euro/Dollar may extend losses, Eurozone finance ministers have meeting on this week's summit. Dollar pushed higher during last Friday, before some downward pressure against euro, due to worries over second wave of coronavirus infections cases. The pair is traded above 1.13 price level and investors are now looking into this week's US/ECB microdata decision. On the economic data front, the US Producer Price Index (PPI) dropped -0.2% Month to Month in June and the core PPI also fell -0.3% MoM. The increasing number of US coronavirus cases are leading markets lower and the safe-haven dollar higher. Concerns about Brexit and the UK refusal to participate in the EU coronavirus vaccine scheme are weighing on sterling. Due to dollar weakness, as stocks advance, pound advanced higher above 1.26 price level, along with the UK Chancellor Sunak who presented 30 billion stimulus package last week and additional support for the economy at the time where Brexit talks remain stuck. The UK Cabinet Minister Michael Gove noted that the Brexit transition will likely happen by the end of this year, regardless of the type of the agreement with EU, while UK Chancellor Rishi Sunak prepares another aid stimulus package and may lead pound higher against dollar. Additionally, what may affect either positive or negative in the future pound course is that Britain is considering ways to develop infrastructure in the south and east of England to prevent obstacles to transporting large volumes of goods to France when the transitional agreement with the EU expires in late 2020, as the minister said, and it is expected that will spend 705 million pounds (890 million dollars). Dollar against yen has scope to see more downside as the pair indicates incomplete lower low sequence from March 26 high. Dollar/Yen opened down in Asia on Friday as the risk rally undermines the safe haven of the US dollar, continuing the theme from Wall Street and bears were trying to test a key support level at 107.20. The pair is traded modestly as the JPY also been weakened as the safe heaven assets sold off on global economic recovery hopes. Dollar is losing value against yen as risk-off intensity is increasing. Dollar against yen in over two weeks did not challenge yet the levels of 108 resistance and 106.5 support. BOJ is expected to keep policy steady at a two-day rate review ending on Wednesday.



**Weekly News 13-07-2020 – 17-07-2020**

Time (GMT+2)	Event	Impact
16:00 pm 13.07	GBP BoE's Governor Bailey speech	High
18:30 pm 13.07	USD Fed's Williams speech	Medium
18:30 pm 13.07	GBP BoE's Governor Bailey speech	High
09:00 am 14.07	GBP Gross Domestic Product (MoM)(May)	High
11:00 am 14.07	EUR ECB Bank Lending Survey	High
15:30 pm 14.07	USD Consumer Price Index ex Food & Energy (YoY) (Jun)	High
16:30 pm 14.07	CHF SNB's Chairman Jordan speech	High
06:00 am 15.07	JPY BoJ Interest Rate Decision	High
09:00 am 15.07	GBP Consumer Price Index (YoY)(Jun)	High
09:00 am 15.07	GBP Retail Price Index (MoM)(Jun)	Medium
09:00 am 15.07	JPY BoJ Press Conference	High
17:00 pm 15.07	CAD BoC Interest Rate Decision (Jul 15)	High
18:00 pm 15.07	CAD Bank of Canada Monetary Policy Report (Jul)	High
04:30 am 16.07	AUD Unemployment Rate (Jun)	High
05:00 am 16.07	CNY Gross Domestic Product (YoY) (Q2)	High
05:00 am 16.07	CNY Gross Domestic Product (QoQ) (Q2)	High
09:00 am 16.07	GBP ILO Unemployment Rate (3M) (May)	High
14:45 pm 16.07	EUR ECB Interest Rate Decision	High
14:45 pm 16.07	EUR ECB Deposit Rate Decision	High
15:30 pm 16.07	USD Retail Sales Control Group (Jun)	High
15:30 pm 16.07	EUR ECB Monetary Policy Statement and Press Conference	High
03:00 am 17.07	EUR EU Leaders Special Summit	High
12:00 pm 17.07	EUR Consumer Price Index - Core (YoY) (Jun)	High
17:00 pm 17.07	USD Michigan Consumer Sentiment Index (Jul)	High