

19-08-2020**Nikolas Stylianou**

US markets – Despite the geopolitical issues and the economic uncertainty, along with trade talks with China postponed and representatives of the United States and China were scheduled to consider the implementation of the bilateral settlement, which has been marked Phase 1, on Saturday stock market still going up. U.S. President Donald Trump said Tuesday that he had postponed talks his government was scheduled to have with China on bilateral trade issues, adding that he did not want talks with Beijing at this time. He was asked during an event in Yuma, Arizona, whether he would withdraw his country from the bilateral trade deal with China, Trump said he would see. Yesterday, US President Donald Trump announced that he promised to create 10 million jobs in 10 months, partly by providing tax incentives to US companies moving their production facilities from China to the United States. Speaking to supporters during a visit to Minnesota, he said his government would terminate federal contracts with companies outsourcing production facilities in China. New historic high for the Nasdaq observed yesterday and a rise for the SP500, though the Congress cannot agree on a new package of support for the US economy. On Wall Street, the Dow Jones fell 0.31% or 87 points to 27,844, the S&P 500 rose 0.27% to 3,382 points - three points below the record - and the Nasdaq hit a new all-time high % at 11,129 points. Home Depot + 3% and Walmart + 2.4% recorded the largest increase in the industrial index, while Boeing -3.4% and American Express -2.6% recorded the largest decline.

Asian Markets – Historic plunge for the Japanese economy, which started to be weaker since the fourth quarter of 2019 due to VAT increase in October and began to suffer from the impact of the coronavirus pandemic in the first quarter of 2020. Japan's GDP collapsed, shrinking by 7.8% on a quarterly basis or by 27.8% on an annual basis, in the quarter between April and June, making an already historic dip due to the impact of the coronavirus pandemic. This is the first recession in Japan since 2015. The recession is defined as the contraction of national wealth by at least two consecutive quarters. The Tokyo Stock Exchange closed without a change in direction, as the yen exchange rate against the US dollar particularly favored export-focused stock markets, but this was offset by the fact that a portion of investors chose last week. The Nikkei index closed with an increase of 39.75 points (+ 0.17%), to 23,289.36 points. The broader Topix index, indicative of the general trend, on the other hand closed with a marginal drop of 0.77 points (-0.05%), to 1,623.38 points. Previous week Hong Kong index had weekly gains of 0.24%, while Japan's index fell by 0.77 % and Shanghai index dropped by 1.12%. Today Asian stocks jumped to 7-month peak and this caused by ongoing policy stimulus which aimed to moderate the hit from the coronavirus pandemic.



European Markets - The first estimate for euro area exports to the rest of the world in June 2020 was € 170.3 billion, a decrease of 10.0% compared to June 2019 (€ 189.3 billion), according to data provided by Eurostat, the EU statistical office. At the same time, imports from the rest of the world amounted to 149.1 billion euros, a decrease of 12.2% compared to June 2019 (169.9 billion euros). As a result, the euro area recorded a surplus of € 21.2 billion in trade in goods with the rest of the world in June 2020, compared to + € 19.4 billion in June 2019. The region's intra-euro trade fell to 150,6 billion euros in June 2020, down by 7.3% compared to June 2019. In addition, from January to June 2020, exports of euro area goods to the rest of the world decreased to 1,015.0 billion euros (a decrease of 12.7% compared to January-June 2019) and imports decreased to 929.0 billion (decrease of 12.9% compared to January-June 2019). Last week in Europe, stock indices closed at the end of the week with a negative sign. Specifically, the FTSE 100 in London closed at 6,090.04 points, down by 95.58 and recording a percentage drop of -1.55%. In Paris, the CAC 40 closed at 4,962.93, losing 79.45 and recording a fall of -1.58%, while in Zurich the SMI index stopped at 10,163.60 points, losing 96.51 from the board with a decrease of its order - 0.94%. At the same time in Frankfurt, the DAX30 closed at 12,901.34, down -0.71% while the EuroStoxx50 remained at 3,305.05 with -1.13%.

Gold – Gold prices managed to finish even higher yesterday indicating that the bullish momentum it is not done yet and gold recovered very fast since investors booked most of their profits after all-time high records. The level of \$2000 remains a psychological level amid persistent weakness in the US dollar and the slack in government bond yields. December gold on futures rose by \$14.40 per ounce, or 0.7%, to settle at \$2,012.10, after the metal jumped by 2.5% on Monday to mark its best daily point and percentage gain since April 22. Many analysts expect that gold will end this year near \$2400 per ounce. The possibilities to see that happens is due to upcoming US election, along with lower treasury yields which will underpin the yellow metal. FOMC news later on the day will affect either negative or positively the gold market and it is expected that gold will still be bullish.

Oil Market – Oil prices still find obstacles to get a clear direction as investors await today's supply data, the effect of the OPEC production cuts and committee meeting. West Texas Intermediate crude for September on futures delivery CL1, -0.58% CLU20, -0.58% closed at \$42.89 per barrel and remained unchanged on the New York Mercantile Exchange. The global benchmark, October Brent crude BRN00, -0.68%, gained 9 cents, or 0.2%, to finish at \$45.56 a barrel on ICE Futures Europe. The Energy Information Administration's (EIA) will announce today the weekly Oil inventories' change in the number of barrels of commercial crude oil held by US firms. Today the report is expected to present minus 2.67 million of barrels and greater than expected indicates positive signal for oil.

Americans need further relief package - Markets were supported by developments in Washington, as Speaker Nancy Pelosi called the House back into session, cutting short the lawmakers' summer recess for a vote expected Saturday on legislation to prohibit changes in the U.S. Postal Service amid growing concerns that the Trump administration is trying to undermine the agency ahead of the November election. The package that was proposed also include \$25 billion to shore up the postal service, however prospects for further economic aid for American and businesses remain uncertain after talks on a fresh stimulus package stalled. Investors say it is urgent for them to get support from government particularly after \$600 in weekly unemployment benefits and other stimulus from the U.S. government expired. Without more help for the U.S. economy, analysts say the recovery that investors have been assuming is on the way will not materialize. And that assumption is a huge reason the stock market is as high as it is. Democrats and Republicans, they are looking for revising the stalled negotiations on the next relief economic package, even though both sides remain far away from any deal. As long as they do not achieve to get a deal, dollar will still weaker against its major counters and will support the yellow metal.

Currencies – Last Friday Euro/Dollar was trading slightly above 1.18 and it was in a consolidation setting for most of this month with prices ranging between 1.1916 and 1.1696. At the beginning of this week Euro/Dollar was trading at 1.1864 and it has finished the seventh consecutive week with gains and finally reached the level of 1.196 and may extend its gains to 1.20 psychological level after the FOMC news later on the day. The pair has bounced-off lows and looks to regain 1.1950 amid resurgent US dollar supply and dollar's fall came along with fall on treasuries yields which continue to undermine the greenback. GBP/USD was trading at around 1.3069 last Friday and it was above the critical psychological support level of 1.3050. Now the pair break well above 1.32 price level due to upbeat UK CPI news. A correction is expected to occur near 1.31885 and if then pound could extend its gains and go towards 1.34 as a first target. Dollar/Yen is currently traded near 105.3. The greenback resumed its recent losing streak and continued to remain under pressure in European session yesterday. The pair fell to 105.29 in New York morning due to dollar's broad-based weakness as negotiations between the Republicans and the Democrats remain at a standstill. Investors should pay attention on FOMC news later on the day.

Weekly News 17-08-2020 – 21-08-2020

Time	Event	Impact
03:00 am 17/08	EUR Eurogroup Meeting	Medium
04:30 am 18/08	AUD RBA Meeting Minutes	High
13:00 pm 18/08	EUR ECB's De Guindos speech	Medium
09:00 am 19/08	GBP Consumer Price Index (YoY) (Jul)	High
15:30 pm 19/08	CAD BoC Consumer Price Index Core (YoY)(Jul)	High
21:00 pm 19/08	USD FOMC Minutes	High
14:30 pm 20/08	EUR ECB Monetary Policy Meeting Accounts	Medium
10:30 am 21/08	EUR Markit Manufacturing PMI (Aug)	High
10:30 am 21/08	EUR Markit PMI Composite (Aug)	High
11:00 am 21/08	EUR Markit PMI Composite (Aug)	High
15:30 pm 21/08	CAD Retail Sales (MoM) (Jun)	High