28-09-2020

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US markets – For fourth consecutive weeks US stock market kept falling as investors were expecting new stimulus package from the Fed, something that never brought out and may not being provided before US elections. US equities on futures market changed little bid from lows and tried to bounce back. Dow Jones Industrial Average futures was traded 17 points lower, or 0.1%, while S&P 500 futures remained below the flatline and Nasdaq index jumped by 0.2% by the beginning of last week. One of the worst losers last week was Tesla which plunged by 6% after CEO Elon Musk said in a tweet that the electric car-maker's "Battery Day" event would not reach "serious high-volume production" until 2022. Concerns about resurfacing of a new wave of coronavirus led the stock market to fall. Investors decisions still being affected from Fed insights for their view on economic recovery. The main losses for US stocks indexes came out from megacap technology stocks, which carry heavy weight in the benchmarks. House Democrats are preparing a $2.4 trillion relief package that they could vote on as soon as next week, however there exist an uncertainty about this proposal as Donald Trump announced that he will nominate Judge Amy Coney Barrett to fill the vacancy left by the death of Justice Ruth Bader Ginsburg on the Supreme Court and this may delay the projection of new coronavirus package earlier from the Us elections. This week he technology sector is trying to rebound from the recent deep, as Dow Jones advanced by 100 points, while SP500 on futures added 0.3% and Nasdaq jumped by 0.3%.

Asian – Asian equities began lower last week after US equities fell for third consecutive week. Many technology stocks on SP500 benchmark declined and investors worried that stocks may become to 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% at the commencement of last week's trading session. Shares of airlines in Asia-Pacific plunged, amid concerns over coronavirus resurgence globally. China Eastern Airlines stocks that listed on Chinese Hang Seng index dropped by 1.98%. Additionally, HSBC and Standard Chartered banks shares plunged after reports of alleged suspicious transfers for about 2 trillion dollars. Asian equities and more specifically South Korean stocks dropped later in the week as tensions on the Korean Peninsula returned. South Korea's defense ministry said North Korea killed a missing official from the South earlier in previous week. By the end of the week Shares of Australia's "Big Four" major banks increased even higher today trading session, after country's authorities reported changes to simplify credit access for consumers and small-size businesses. Asian equities started higher this week amid hopes over a possible coronavirus vaccine, along with American new stimulus package to confront worsening pandemic.

European Markets – European equities were expected to begin the week passed week lower as allegations surrounding bank dealings and rising coronavirus infections weighed on market sentiment around the world. Investors will be oversight bank shares as there are reviews that allegedly moved massive sums of suspicious funds. By the mid of the week European equities plunged, amid concerns over a new coronavirus wave across the Europe as UK recently announced another 6178 cases. The Pan-European index Stox600 slipped by 1% with travel and leisure stocks slipping by 2%. Markets were searching for direction as investors monitored the spread of coronavirus and the development of a possible vaccine across the European zone and a late upswing for U.S. tech equities. The pan-European Stoxx600 index closed even lower by 3.7% the previous week, after a choppy session, with global markets being concerned by a resurgence in coronavirus cases globally. EU stocks are set to open higher this week and eyeing to rebound from June losses, with global coronavirus cases and political developments, stateside on investors radar. The European Central Bank needs to look at the wording of its inflation target as part of a review of its policy framework, said the governor of the French central bank and member of the ECB's Governorate, Villeroa de Gallo. The ECB's goal today is to steer inflation in the medium term to a level "below but close to 2%", but it has not achieved this for years despite massive injections of monetary support into the economy to raise prices. Villeroua stressed that this goal is "symmetrical", in the sense that it is not a ceiling as it sometimes seems and that the ECB can tolerate exceeding it for some time without tightening its policy.

Gold Market – As the markets still not be trustworthy and there is a possibility of new coronavirus wave banks are making huge profits from gold as investors flood into a market. Spot gold rose 0.2% to $1,953.37 per ounce by early trading session at the beginning of last week, while US gold futures slightly fell by 0.1% lower. Investors kept an eye for Fed policy-makers speech, however, were disappointed as Fed did not provide further stimulus package yet and that acted negatively for gold last week as the price fell by almost $90. IF no further stimulus be provided within next days gold will remain in danger and we may see another sell-off. Gold has surged about 29% this year as governments and central banks worldwide released unprecedented global stimulus measures. Gold has surged about 29% this year as governments and central banks worldwide released unprecedented global stimulus measures. The fresh lockdown around EU, along with low interest rates underpinned gold, however the Dollar appreciated against its major counters with dollar index adding more gains and a firmer dollar makes bullion more expensive for holders of other currencies. As long as dollar get stronger, amid economic slowdown across Europe gold will continue falling. Major and significant support level still at $1800, however in the long term $2300 price level should not be ruled out. Next critical support level remains at $1800, a price area where a lot of buyers are being prepared to get in the market aggressively. If Democrats in the U.S. agreed to provide further stimulus package which is expected to be around $2.2 trillion then gold might rebound and try to hit another high.

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Oil Market – In energy markets, benchmark U.S. crude CL.1 has gained 11 cents to $41.22 per barrel in electronic trading on the New York Mercantile Exchange, while Brent crude, advanced even higher by 9 cents to $43.24 per barrel at the commencement of last week's trading session. The rise caused from a tropical storm which halt some oil production, however new virus infections created weaker demand. The possible new coronavirus restrictions that may be imposed globally will be harmful once again for fuel demand. Traders will be watching out for the American Petroleum Institute's data on U.S. oil inventories due on the upcoming days. Among many factors oil prices are also falling because there exist concerns that US economic recovery is slowing as the coronavirus outbreak lingers. Worries over fuel demand and economic outlook due to the coronavirus resurgence have prompted a rally in the dollar as investors turned to safer assets, adding pressure to oil prices. Taking into consideration the fundamental side of oil prices nothing major thing has changed regarding the oil supply and New COVID-19 case numbers are accelerating in major U.S. states, renewing fears of mobility restrictions.

Foreign Currencies – At the beginning of last week Euro/Dollar was traded around 1.186 and closed the week negatively by losing almost 250 pips as dollar got stronger against all its major counters, despite the worse than expected initial jobless claims report which came out by 30 k more than expected. Combining Euro negative reporting data along with a firmer dollar led Euro declined near 1.163 looking to break even lower to 1.15 price level this week. Euro was still declining last week due partly to a selloff in European stocks. The FX Strategists at UOB Group warned that Euro risks a further pullback to the 1.1695 level in the next weeks, something did faster than expected. The next upside target emerges at 1.1700, FXStreet's Pablo Piovano briefs. FX Strategists at UOB Group noted EUR/USD could have now entered into a consolidative phase. Euro plunged to 1.1615 where it is currently trader, its lowest level since late July and posted an interim top at 1.2011 and heads lower, with 1.1500 at sight, as the greenback's positive momentum will likely extend heading into the next NFP report release, FXStreet's Chief Analyst Valeria Bednarik reports. Pound/Dollar remained below 1.30 psychological level at the beginning of last week after witnessed some selling pressure as investors were and still pessimistic about Brexit and coronavirus new cases overshadowed investors' confidence. The pair was traded near to the 1.2780 and a brake lower from the 1.269 support level is set to trigger a deeper fall to the 1.2250/00 zone, according to Commerzbank, however the pair found strong support near 1.268 before advanced to 1.282 where it is currently traded. Cable might attempt a consolidative range ahead of potential extra downside in the next weeks, in opinion of FX Strategists at UOB Group. GBP/USD probes the upper end of 1.2772/51 trading range and BOE policymaker defends negative rates, no-deal Brexit can result in one million job losses. A break below the 104.28 would indicate a sell signal for Dollar/Yen but did not happen. Yen appreciated against dollar as Japan elected a new Prime Minister, in combination with that Fed extend zero-rate prediction until end of 2023. The negative view in the pair is seen modest if we observe a break above 105.2 according to FX Strategist at UOB Group, as finally happened. Yen and dollar are safe heaven assets and that was a reason we did not observe big dollar appreciation against yen. The ongoing risk aversion amid worries over global economic, keep safe haven Yen well supported for the time being and the pair is currently traded near 105.3 with next critical support being at 104.57 price level. Yen stopped pushing higher since found support level near 104.22 against dollar, however this week gained some ground amid hopes over a coronavirus vaccine. USD/JPY bulls struggle to make headway above critical support.

The Turkish currency remained stable at the level of 7.6 pounds per dollar, after its temporary reaction, as the problems of the economy continue to grow. The positive reaction of the Turkish pound after the decision of the Central Bank of the country to increase the key interest rate was more than short-lived, with the currency managing to move upwards for only one day. On Thursday 24/9 the Turkish currency reached 7.5 pounds per dollar, but investors are well aware that an increase in interest rates is not enough to save either the pound or the Turkish economy, causing it to slide again on Friday for to be at the level of 7.6 pounds per dollar. It is recalled that the Central Bank of Turkey suddenly raised its key interest rate by 2% on September 24, in an effort to stop the pound from falling steadily despite President Erdogan's insistence on keeping interest rates low to support low growth. As announced, the key interest rate is from 8.25% to 10.25%. Analysts say that this is a significant increase in interest rates, but it remains much lower than inflation of more than 12% and additional moves will be required to stop the pressure on the exchange rate. Since the beginning of the year, the Turkish pound losses have exceeded 20%, while the foreign exchange reserves to support it in the market have been exhausted, a fact that forced the Central Bank to increase the key interest rate.

A Financial Times article is investigating the possibility of a new financial crisis - We are counting down to the new financial crisis

What chances would you give that there might be a new financial crisis? This month, researchers at research firm Oxford Economics asked 162 entrepreneurs around the world. Their average response was 20% over the next two years. This is twice as high as the perceived risk of a second global wave of the Covid-19 pandemic and also, unfortunately, the possibility of having an effective vaccine against the disease early. These fears are already having tangible consequences: they have reduced the business climate more than the facts justify in this month's Oxford survey. "Our analysis suggests that much of the gloomy climate is due to fears of a financial crisis," said lead poll economist Jamie Thompson. This should be of concern to investors, but not because a financial crisis is likely to erupt right now, at least not as it did in 2008. At least two factors mitigate that risk. First, the Fed and other central banks have made it clear that they will do "whatever it takes" - to recall Mario Draghi's promise in 2012 - to keep markets afloat during the pandemic. The events of March showed this: when the US government bond market "froze", the Fed intervened with extraordinary liquidity support. Second, banks are not the source of this year's financial shock. In fact, they are better capitalized in the US and much of Europe than they were in 2008. "said Randal Quarles, a senior Fed official. Or, as the financial data group Morningstar puts it, "the risk of bankruptcy and a capital crisis for the US financial system seems to be much lower this time around." The big US banks have increased their reserves to deal with this, however extremely low interest rates erode the profitability of banks. As Deutsche Bank told its clients this week, "we see a growing risk of financial turmoil following rising asset overvaluation and rising debt levels." "Surveys are already showing a significant tightening of lending standards," Shin said. Or, as Ms Reinhart notes, "a credit crunch does seem very likely." Thus, it is not surprising that Oxford has found that financial fears are poisoning confidence, nor that the likelihood of a "V" type economic recovery seems smaller and smaller

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Weekly News 28-09-2020 – 02-10-2020

Time (GMT+3)	Event	Impact
16:45 pm 28-09	EUR ECB's President Lagarde speech	High
15:0 pm 29-09	EUR Harmonized Index of Consumer Prices (YoY) (Sep)	High
16:00 pm 29-09	USD S&P/Case-Shiller Home Price Indices (YoY) (Jul)	Medium
17:00 pm 29-09	GBP BoE's Governor Bailey speech	High
N/A 30-09	USD Presidential Debate	High
04:00 am 30-09	CNY Non-Manufacturing PMI (Sep)	High
04:00 am 30-09	CNY NBS Manufacturing PMI (Sep)	High
09:00 am 30-09	GBP Gross Domestic Product (QoQ) (Q2)	High
09:00 am 30-09	EUR Retail Sales (YoY)(Aug)	High
10:20 am 30-09	EUR ECB's President Lagarde speech	High
15:15 pm 30-09	USD ADP Employment Change (Sep)	High
15:30 pm 30-09	USD Gross Domestic Product Annualized (Q2)	High
11:30 am 01-10	GBP Markit Manufacturing PMI (Sep)	Medium
15:30 pm 01-10	USD Initial Jobless Claims (Sep 25)	High
17:00 pm 01-10	USD ISM Manufacturing PMI(Sep)	High
18:00 pm 01-10	USD Fed's Williams speech	Medium
19:00 pm01-10	CNY National Day	-
04:30 am 02-10	AUD Retail Sales (MoM) (Aug)	High
12:00 pm 02-10	EUR Consumer Price Index - Core (YoY)(Sep)	High
12:00 pm 02-10	EUR Consumer Price Index (YoY)(Sep)	High
15:30 pm 02-10	USD Nonfarm Payrolls (Sep)	High

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