31-08-2020

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US markets – US equities advanced higher at the beginning of last week ang gains mainly were made by Dow Jones index. SP500 benchmark also had a noticeable increase and rose by 1% close to 3431. Shares of airlines, cruise operators and retailers led the index higher after their plummeting previously due to the coronavirus pandemic. Additionally, the good news for the virus vaccine gave more hopes to investors. Later on the week US equities on communication services and health care increased their values, however US stocks benchmarks retreated, after a report showed that consumer confidence weakened momentarily. Another high records for technology stocks led the SP500 and Nasdaq Composite index to move even higher for fourth consecutive session and refreshed their records. Salesforce surged as much as 29% after the software company's big earning beat. US equities continued surging after the Federal Reserve Bank's Chairman Jerome Powell noted that they will abandon the Fed policy of raising interest rates to confront the inflation and they expect the inflation to be above 2% which is the target rate and that aided the precious metals to appreciate. US stock equities pushed the market even higher to a record-highs from the day the recovery began, as a result the sector is more valuable than the entire European market. The total market capitalization of the US technology stock market reached $9.1 trillion, while European, UK and Switzerland market are now worth around $8.9 trillion.

Asian - Asian stock market showed some improvement during last week and went higher along with US equities after the caution over the spread of coronavirus last weeks. Asian equities were set for a choppy trading session later on the week, along with mixed Wall Street stock market, while markets cheered indications of evolvements in US-Sino trade negotiations, however remained cautious about the broader economic outlook and global recovery. As long as China's economic outlook gets better the share market also will advance higher. Asian shares were mixed after the latest data showed of previous week showed that China's economy continued to recover. China's industrial sector has grown 19.6% since last year an increase from the 11.5% gain in June, as the country's recovery from the pandemic continues. By the end of the week gone Asian equities rose along with US stocks as US stock market start making more peaks for a third consecutive day and that caused the bond yields to rose due to the Federal Reserve's average inflation strategy, as they promised to confront the coronavirus pandemic. At the beginning of this week Japan's equities outperformed the stock market and been enhanced by Berkshire Hathaway Inc.'s purchase of stakes in five major trading companies, one of billionaire Warren Buffett's biggest investments in the nation.

European Markets - European stocks added gains from a strong mood by the commencement of previous week with the Pan-European index Stoxx600 gaining more than 1.6%, while UK100 rose by 1.7% and rest EU indexes climbed by more than 2%. According to investing European stock markets were expected to open lower later on the week amid further tensions between the U.S. and China, despite that losses became limited ahead of a key speech from Jerome Powell, the head of the U.S. Federal Reserve, about America's monetary policy. By the end of the week European equities retreated since the trading session today as investors digested a major policy shift by the US. Federal Reserve and reports that Japanese Prime Minister Shinzo Abe is set to resign, as a result the Pan-European index Stox600 declined by 0.48%. European equities are set to open higher by the beginning of the week we are going through as dovish U.S. monetary policy signals enhanced the confidence for a global risk assets. Germany's DAX index is seen climbing 116 points to 13,145, and France's CAC up 44 points at 5,049. Pan European index lost 0.52% on Friday's closing.

Gold Market - It was the third consecutive week that gold was traded lower and the second week in a row that gold was traded neutrally after the last week ended. At the beginning of last week gold was traded around $1930 per ounce, however US-China trade optimism may make more difficult the rebound for gold. Despite robust US durable goods gold last week managed to close higher, despite the negative mood from investors where sent gold back to $1900 per ounce ahead of Key Powell speech. Prices for gold had spent time trading lower, pressured on the back of a rise in bond yields, along with Durable goods increase to 11.2%, a 4.8% forecasted. Powell advocated for a so-called asymmetric inflation target, one that allows policy makers to let inflation rise above their traditional annual target of 2%, which was seen as bullish for gold and other precious metals. Gold futures ended lower later on the week after a volatile session that saw prices move in either direction by as much as 2%. After Fed's Chairman Jerome Powell announced the changes in Fed policy for maintain low the interest rates, gold retreated and lost around $30, but in the long term the Fed policy will underpin gold to go higher. The Fed's strategy retains 2% annual inflation as a target, but the Fed said it "seeks to achieve inflation that averages 2% over time" and as we know gold is traded against inflation. This week gold is up by 0.4% at $1,971.68 per ounce, after reaching its highest since August 19 at $1,976 per ounce in early Asian trade. However, gold is down nearly 0.2% so far this month as previously reached a high record of $2075 per ounce at the mid of month. U.S. gold futures rose 0.4% to $1,982.50 as dollar still weaken.

Oil Market – Despite Oil got support from the Energy Information Administration inventory data did not showed any upticks and it seems that the market observation regarding the decline in Oil volatility still holds. WTI crude Oil price per barrel closed with marginal gains at the beginning of last week amid rising open interest and thus may indicate further gains for oil should not be ignored. The price of $44 per barrel remains significant resistance level. The latest EIA data showed a bigger-than-expected draw in US crude Oil stocks. Oil and gasoline futures were set at their highest level later on the week since early March, as storms forced the closure of more than 80% of offshore Oil output in the Gulf Mexico(marine oil spill) and led to refinery cuts. West Texas Intermediate crude for October delivery CL.1, rose by 73 cents, or 1.7%, to settle at $43.35 per barrel on the New York Mercantile Exchange, while October Brent crude BRNV20, 0.20%, the global benchmark, also gained 73 cents, or 1.6%, to $45.86 per barrel at the mid of the previous week, however later Oil on futures market dropped, as traders hoped on a quick recovery for the energy market in the Gulf of Mexico region after one of strongest hurricanes in years made landfall near the heart of the U.S. refining industry. This week Brent crude on futures for November climbed 27 cents, or 0.6%, to $46.08 a barrel, while WTI crude Oil was traded at $43.11 per barrel, which was 14 cents higher or 0.3%. The highest level that Brent reached since early March was $46.23, while WTI reached the highest level of $43.78. A weaker dollar underpinned oil prices, although demand struggled to recovered due to coronavirus pandemic and supplies remain in excessive level.

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Foreign Currencies – The German IFO Business Survey was expected to be improved by 92 against 90.5 from the previous rate and finally increased to 92.6 and aided euro to appreciate against its major counter dollar. FX Strategists at UOB Group noted EUR/USD could have now entered into a consolidative phase., but the pair managed to recover soon from an intraday low 1.1770, towards 1.1850. Although the deterioration in Eurozone due to new infections in virus cased, PMIs, the German IFO increased for the fourth month in a row, aiding to drive Euro/Dollar back above 1.18. By the closure of last week, we witnessed a huge drop in Euro/Dollar from 1.19 price level to almost 1.176 a reaction that few moments later fully reversed and get back above 1.18 price range. The downward movement caused by the Fed policy which noted that interest rates will remain low, and finally euro broke above 1.19 looking to reach 1.20. Initial jobless claims report showed worse data that it was forecasted and that also affect the price of the pair. This week Euro/Dollar is currently trading around 1.19, marginally off the highs it achieved after the Fed announced a dovish policy shift the previous week and Terence Wu, FX strategist at OCBC Bank, expects the market to chase the 1.1966 top this week and pair can go beyond 1.196 to 1.20. Pound/Dollar was below the 21 exponential moving average at the beginning of last week and that indicated a short-term bearish outlook, however Pound managed to make weekly gains of almost 300 pips. Lack of Brexit progress continued to weigh on the pair, but the underlying expectation that a compromise would eventually be trashed out supported the pound. Chief EU Negotiator Barnier reportedly told euro states to be "cold-blooded" with Britain. At the end of the week Pound/Dollar advanced higher amid dollar’s selling pressure with bulls taking the advantage over bears. The Fed Chair Jerome Powell on Thursday outlined the new monetary policy strategy and signalled an increased tolerance for higher inflation. This week Pound/Dollar prevails with an upside momentum with long positions being above 1.33 with next targets at 1.3338 and 1.34415 correspondingly. Alternatively, 1.326 and 1.322 are the next nearest support levels to watch at. Pound/Dollar trades in eight-month highs, around mid-1.3300s, and targets the 1.3500area, Axel Rudolph, Senior FICC Technical Analyst at Commerzbank, reports. Britain’s Chief Brexit Negotiator David Frost noted that he believes that the UK should leave without a trade deal if Brussels continues to ask that the UK should align with its rules on state aid. Dollar/Yen was traded at 106.1 at the beginning of last week with the greenback traded narrowly in Asia and Europe. Although that the pair fall to 105.7 price rebounded slightly above 106 and that caused from the rising US yields and stocks. Dollar appreciated against Yen later on the week due to optimism between US-China trade deal and reached the price level of 106.5 before retreated to 106.2. Fresh dollar’s selling after Powell revealed new Fed's inflation policy, along with the news of resignation of Japanese PM Shinzo Abe affected the Dollar/Yen at the end of the week, to lose value. Bears so far retraced 50% of 105.10/16.94 up leg, shifting near-term focus lower. A drop to the 104.70 region in Dollar/Yen should not be ruled out in the upcoming weeks, as FX Strategists at UOB Group noted. The pair regained some positive traction this week amid as dollar’s fall once again due to Fed policy, along with upbeat Chinese PMI reported.

Key News:

- According to Bloomberg The European Union has stepped up threats of more sanctions against Turkey over its energy claims in the Eastern Mediterranean. The Turkish libra is already in oversold situation and the Turkish economy it gets worse.
- The US Federal Reserve has signaled that if it could go back in time, it could have acted differently. Several years after the worst of the Great Recession, the Federal Reserve launched a cycle of interest rate hikes in late 2015 to normalize its monetary policy stance and prevent a possible rise in inflation.
- On Thursday, the US Federal Reserve signaled that if it could go back in time, it might have acted differently, following a new course that will undermine expectations that the Fed will keep interest rates close to zero for many years. Mr Powell said the US Federal Reserve would allow inflation to exceed the 2% target for periods of time to offset past failures, while acknowledging that unemployment could be much lower than in the past without to feed higher prices and wages. As the Covid-19 spread across the US in March, the Fed ignored concerns that shortages could lead to higher prices. He decided that the pandemic would be a deflationary shock and reduced interest rates to zero. Market measures for inflation expectations point to a sluggish outlook, with 10-year break-even inflation resulting from inflation-priced government securities hovering around 1.74%.

Belarus: Cut off European trade if sanctions are imposed:

Belarus is an important land route for European goods and a passage for Russian oil to Europe. Belarussian leader Alexander Lukashenko threatened to cut off European transit routes across the country on Friday, August 28, 2020, if sanctions were imposed. Speaking during a visit to a dairy factory in the east of the country, Lukashenko said he would prevent European neighbors from transporting goods to Russia via Belarus and divert exports now sent through ports to EU member Lithuania. Goods from mainland Belarus account for almost one third of Lithuania's rail traffic and port volume. Belarus is also a major land route for European goods destined for Russia and passes through pipelines used to ship Russian oil to Europe.

Weekly News 31-08-2020 – 04-09-2020

Time (GMT+3)	Event	Impact
04:00 am 31-08	CNY Non-Manufacturing PMI(Aug)	High
09:30 am 31-08	CHF Real Retail Sales (YoY) (Jul)	Medium
15:00 pm 31-08	EUR Harmonized Index of Consumer Prices (YoY) (Aug)	High
16:00 pm 31-08	USD Fed's Clarida speech	High
07:30 am 01-09	AUD RBA Interest Rate Decision	High
12:00 pm 01-09	EUR Consumer Price Index (YoY) (Aug)	High
17:00 pm 01-09	USD ISM Manufacturing PMI(Aug)	High
04:30 am 02-09	AUD Gross Domestic Product (QoQ) (Q2)	High
09:00 am 02-09	EUR Retail Sales (YoY) (Jul)	High
21:00 pm 02-09	USD Fed's Beige Book	Medium
11:00 03-09	EUR Markit PMI Composite (Aug)	Medium
12:00 pm 03-09	EUR Retail Sales (YoY) (Jul)	High
17:00 pm 03-09	USD ISM Services PMI(Aug)	High
17:00 pm 03-09	GBP BoE's Governor Bailey speech	High
15:00 pm 04-09	USD Nonfarm Payrolls (Aug)	High
15:30 pm 04-09	CAD Unemployment Rate (Aug)	High
15:30 pm 04-09	CAD Net Change in Employment (Aug)	High

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