

# NIC

— Nova Investment Club —

## Market Update

August 2017





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### Bi-Weekly Market Review

August 1, 2017 to August 11, 2017

#### Market Moves

% change

	-1W	-3M	YTD
S&P 500	-0.84%	2.89%	9.88%
DJIA	-0.59%	5.22%	11.26%
Nasdaq	-1.01%	3.24%	17.39%
MSCI World	-1.65%	2.77%	11.64%
MSCI EM	-2.62%	2.67%	17.58%
Russell 2000	-2.07%	0.15%	2.04%
Euro Stoxx 50	-1.63%	-5.20%	4.80%
FTSE 100	-2.35%	-1.08%	2.97%
Nikkei 225	-2.59%	-1.74%	2.21%
Hang Seng	-1.59%	8.32%	23.86%
Dollar Index	-0.07%	-5.93%	-99.09%
EUR/USD	-0.03%	7.87%	12.11%
GBP/EUR	-0.43%	-6.68%	-6.21%
GBP/USD	-0.47%	0.65%	5.14%
USD/JPY	-0.98%	-3.27%	-6.23%
USD/CHF	-0.21%	-2.99%	-4.71%
Brent Crude	-0.32%	2.68%	-8.13%
Gold	1.74%	4.27%	11.15%

#### Generic Bonds

bps change

	-1W	-3M	YTD
US 10Y Yield	-3.28	-10.55	-22.41
GER 10Y Yield	-3.80	3.00	21.30
JPY 10Y Yield	-1.40	1.10	1.20
UK 10Y Yield	-4.50	0.80	-14.50
PT 10Y Yield	-4.80	-55.80	-94.90

\*Source: Bloomberg

#### Next Week

Geopolitics will continue to dominate headlines next week as Japanese foreign minister Taro Kono and defense chief Itsunori Onodera are expected to visit Washington on Thursday to discuss North Korea.

**FOMC:** Minutes of its July meeting, at which it opted to leave its target interest rate unchanged, will be released.

Investors will also keep an eye on results from retailers such as Walmart.

**Output from non-OPEC producers will continue to expand** according to the latest report from the IEA. This comes as OPEC announced a continued rise in production, which increased by 173K bpd to 32.9M barrels in July. Crude futures decreased a basis point to \$48.11/bbl.

**China's PMI recorded a four-month high of 51.4** despite expectations of a slowdown.

**In India, the new goods-and-services tax weighed on manufacturing** as the sector contracted at its steepest pace in over eight years. However, a decrease in inflationary pressures led the way to the Reserve Bank of India's first cut of its benchmark interest rate since October 2016 from 6.25% to 6%.

**Opposition in Venezuela have made electoral fraud claims** with respect to the Venezuelan Constituent Assembly election on July 2017. Convened by presidential decree and formed of elected and appointed members, the assembly's goal is to rewrite the 1999 constitution to favor the Maduro government. Allegations of fraud have led to US sanctions on President Maduro and eight Venezuelan officials, but stopped short of actions against its oil industry.

**On August 1, Bitcoin split into two derivative currencies:** Bitcoin Classic (BTC) and Bitcoin Cash (BCH). BCH's prices fluctuated on the first full day of trading, ranging between \$700 and \$1300 a coin across several exchanges. Its system can process up to 50 transactions per second, over seven times that of BTC's capacity.

**Disney announced on August 8 the end of the Disney-Netflix partnership by the end of 2019**, not including Marvel Netflix TV series. The company's goal is to acquire a 33% stake in BAMTech (\$1.5bn) to launch and power its own streaming services. Netflix stock dropped more than 2% upon

announcement, while Disney shares fell 5%.

**The US market suffered its steepest decrease in three months** after President Trump's latest warnings against North Korea, saying that further threats would be met with "fire and fury." Such comments pushed Asian equities down (i.e., the KOSPI by 1.1% and the TOPIX by 1%). Market volatility jumped as VIX futures curve flipped into backwardation.

**Now above \$1.19 for the first time since 2015**, the euro has gained 13% versus the US dollar since the start of 2017, as well as around 4% over the past month versus the Swiss franc as the reversal of safe haven flows increase. However, headline inflation is still below target, at 1.3% for June, close to the 20-year average at 1.2%.

**The euro zone's economy grew by 2.3% in the second quarter (YoY)** following an increase in confidence and manufacturing - its best quarter for economic growth in five years. Unemployment rate decreased to an average 9.1% in June - the lowest since February 2009. In fact, the number of people employed in Spain is at a seven-year high of 18.8M. Eurozone banks have also outperformed the broader market for the first time since 2009.

**Operating margins of European carmakers are at their highest since 1990.** Thanks to an expanding market in China, operating profit doubled from 2010 to 2016, hitting a record €102.7Bn.

**In Britain, the PMI rose for the first time in three months to 55.** The weak pound, ongoing since the Brexit vote, helped factories record the strongest increase in export orders since April 2010. However, the UK's trade deficit widened from £11.3bn in May to £12.7bn in June.

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