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— Nova Investment Club —

Market Update

October 1st – 15st 2017



Market Update

Bi-Weekly Market Review

Market moves

% change	Last Close	-1W	-3M	YTD
S&P 500	2,555	0.23%	4.39%	14.13%
DJIA	22,880	0.47%	6.16%	15.78%
Nasdaq	6,608	0.28%	5.32%	22.76%
MSCI World	2,860	0.66%	4.22%	16.16%
MSCI EM	4,238	1.19%	4.58%	22.91%
Russell 2000	1,504	-0.41%	5.50%	10.82%
Euro Stoxx 50	3,605	0.03%	2.17%	9.54%
FTSE 100	7,535	0.17%	1.65%	5.50%
Nikkei 225	21,155	2.24%	5.25%	10.68%
Hang Seng	28,476	0.06%	8.09%	29.44%
Dollar Index	93.08	-0.76%	-2.76%	-8.93%
EUR/USD	1.182	0.78%	3.72%	12.41%
GBP/ EUR	1.124	0.92%	-0.96%	-4.16%
GBP/USD	1.329	1.71%	2.71%	7.70%
USD/JPY	111.9	-0.69%	-1.24%	-4.35%
USD/CHF	0.974	-0.57%	0.71%	-4.41%
Brent Crude	57.20	2.84%	18.13%	0.67%
Gold	1,302	2.37%	6.93%	13.02%

Generic bond yields

change in bps	Last Close	-1W	-3M	YTD
US 10Y Yield	2.277%	-8.2	-6.8	-16.8
GER 10Y Yield	0.403%	-5.6	-20.0	19.5
JPY 10Y Yield	0.064%	0.8	-2.0	1.8
UK 10Y Yield	1.367%	0.4	6.5	12.8
PT 10Y Yield	2.333%	-8.1	-86.6	-143.1

*Source: Bloomberg, as of 2017-10-13

Upcoming Still on This Week

IMF meeting on Saturday; Austrian legislative election on Sunday

Upcoming Next Week

Earnings' season continues into next week. Deadline for confirmation of Catalan independence on Monday. EU Council Meeting on Thursday and Friday.

Catalonia votes out of Spain in controversial referendum on October 1st, with "Yes" getting 92.01% of the registered votes. Spanish police has been widely accused of using excess force in an attempt to stop the vote. Despite a 43% voter turnout and a "pro-unity" manifestation attended by hundreds of thousands, Catalanian President Puigdemont proceeded to announce independence on October 10th, only to be suspended immediately afterwards to allow for talks with Madrid. Suspension of independence declaration led Spanish markets to rally, recovering part of the plunge resulting from the vote.

FOMC minutes confirm December rate hike likely, despite disagreements on inflation. On the September meeting Fed officials mostly agreed on high possibility of 2% inflation target being hit soon, as many judged lower-than-expected inflation in Europe and US to be resulting from one-time factors. A minority argued that lower inflation results from structural issues, pointing to lack of wage pressures. Fed also announced that in October it would begin to reduce its \$4.5 Trillion dollar balance sheet.

September saw biggest US yoy wage growth in 8 years, with a 2.9% increase according to latest US nonfarm payroll report. Unemployment rate declined to 4.2% from 4.4% while nonfarm payroll employment decreased slightly (-33 000 jobs), mostly due to impact of hurricanes Irma and Harvey on food services and drinking places, which had a sharp decrease in employment.

Biggest ever airline bankruptcy in UK, as low-cost carrier Monarch airlines collapsed following an increase in competition from Ryanair and EasyJet in its core market (flights to Spain and Portugal from the UK). Competitors' shares went up as investors expect less congestion in European budget airline market.

EU continues crackdown on Silicon Valley, as EU competition commissioner Margarethe Vestager announced Luxembourg gave €250 million in tax benefits to Amazon, and ordered the grand-duchy to collect the amount. The announcement came amidst calls from EU institutions and European politicians to alter EU tax laws, to close loopholes that have benefited US tech giants. Proposals include taxing revenues instead of profits and charging VAT according to where the buyer is located.

Market optimism prevails as earnings' season gets underway. Blackrock, Delta Airlines, JP Morgan and

Citigroup have beaten both EPS and revenues expectations. Bank of America and Wells Fargo have also beaten EPS expectations while falling short on revenues. Despite a good earnings season so far, markets have reacted little as main drivers of optimism still pointed to be expectations of rate hike (for banks) and tax reform in the US, while shortfalls in earnings are partly attributed to hurricanes.

A streak of record-breaking stock market highs have lead to suspicions that a market bubble has been taking shape, an opinion that has already been voiced by Deutsche Bank CEO John Cryan and outgoing German Minister of Finance Wolfgang Schauble.

Brexit turmoil continues as EU and UK representatives end fifth round of negotiations in deadlock. Main question regards UK's "divorce bill" for leaving the EU. UK chief negotiator Michel Barnier said it would not be possible to start negotiations on post-Brexit relationship at the upcoming EU summit in Brussels.

Trump on a streak of Obama administration policy reversion, as several Democrat-endorsed policies get attacked in the second week of October. These include NAFTA, from which Trump hinted the US could withdraw, Obamacare with a new executive order issued by the POTUS that weakens the previous healthcare program; the Iran nuclear deal, as Trump threatened to break the deal in case allies don't agree on significant amendments, and UNESCO from which the US withdrew as an active member after accusing the organization of anti-Israel bias.

Nobel Memorial Prize in Economics awarded to Richard Thaler, from the University of Chicago, for his key contributions to the development of the field of behavioral economics.

Bitcoin now bigger than Goldman Sachs and Morgan Stanley, as cryptocurrency's price reaches \$5855 and market capitalization stands at \$97 billion, despite heavy criticism from JP Morgan CEO Jamie Dimon.

Andrey Dmitriev