

# NIC

— Nova Investment Club —

## Market Update

March 1<sup>st</sup> – 16<sup>th</sup> 2018



## MARKET UPDATE

### Bi-Weekly Market Review

March 1<sup>st</sup>, 2018 to March 16<sup>th</sup>, 2018

#### Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	2,757	-1.07%	3.03%	3.11%
DJIA	24,979	-1.41%	1.33%	1.05%
Nasdaq	7,482	-1.04%	7.86%	8.38%
MSCI World	3,002	-0.23%	2.41%	0.75%
MSCI EM	4,486	0.14%	6.01%	1.65%
Russell 2000	1,587	-0.67%	3.66%	3.32%
Euro Stoxx 50	3,437	0.49%	-3.46%	-1.90%
FTSE 100	7,164	-0.84%	-4.36%	-6.81%
Nikkei 225	21,677	0.97%	-3.89%	-4.78%
Hang Seng	31,502	1.63%	9.20%	5.29%
Dollar Index	90.23	0.15%	-3.94%	-2.06%
EUR/USD	1.228	-0.22%	4.52%	2.29%
GBP/ EUR	1.135	0.84%	0.07%	0.76%
GBP/USD	1.393	0.60%	4.60%	3.11%
USD/JPY	106.2	-0.63%	-5.73%	-5.80%
USD/CHF	0.954	0.24%	-3.73%	-2.12%
Brent Crude	66.01	0.79%	4.40%	-1.29%
Gold	1,312	-0.88%	4.63%	0.24%

#### Generic Bond Yields

bps change

	Last Close	-1W	-3M	YTD
US 10Y Yield	2.846%	-4.7	49.3	44.1
GER 10Y Yield	0.571%	-7.7	27.0	14.4
JPY 10Y Yield	0.038%	-1.5	-0.8	-1.0
UK 10Y Yield	1.429%	-6.3	27.9	23.9
PT 10Y Yield	1.755%	-10.8	-8.5	-18.8

\*Source: Bloomberg, as of 2018-03-16

#### Other Relevant News:

- Moody's downgraded Turkey over political and economic risks
- The Trans-Pacific Partnership aims to increase the number of members, to combat the sudden US trade protectionism
- Donald Trump has agreed to meet with Kim Jong Un, in what will be the first formal meeting between the nations' leaders

**US inflation in February moved accordingly with expectations.** US core CPI rose by 1.8% on a yearly basis, while prices only increased by 0.2%, on a monthly basis, pointing to the inflation weakness. However, the Federal Reserve believes this phenomenon to be mostly transitory and that is one of the reasons that supports the three interest rate hikes executed last year.

**US economy posted strong data on Labor Market, in February, despite a slowdown in wage growth.** US Non-farm payrolls increased by 313,000, a number much higher than the 239,000 revised consensus in January. The private sector contributed with 235,000 new jobs, while construction, retail, manufacturing, business services and financial activities were the main drivers of this growth. Unemployment rate was steady at 4.1%, for the fifth consecutive month.

**The US adopted a new tariffs' regime on steel and aluminum imports** on the 8<sup>th</sup>. A 25% penalty on steel imports and 10% penalty on aluminum imports will come into force within 15 days. While Mexico and Canada will be temporarily exempt during NAFTA negotiations, retaliation from the EU and other steel producers heighten fears of a trade war.

**Broadcom's USD 142 bn bid for Qualcomm has been blocked by President Trump.** Singapore-registered Broadcom's bid had already raised concerns on the Committee on Foreign Investment in the US. On the 13<sup>th</sup>, Donald Trump blocked the merger before it was agreed, alleging concerns over US national security.

**The U.S. Senate has voted 67 to 31 to ease bank rules,** bringing Congress a step closer to passing the first rewrite of the Dodd-Frank reform law. In its current form, the bill would open the way for some banks with assets of up to USD 250 bn to be released from the Fed's strictest supervisory regime.

**The ECB has dropped its easing bias on its asset purchase program** as it holds rates following its governing council meeting. The main rate was held at 0% and the deposit facility at -0.4%. The quantitative easing program will run until the end of September.

**EU plans to raise more taxes from American tech giants** including Google, Facebook, and Apple. Officials reiterated that Brussels' tax plan for digital revenues did not solely target US tech companies and said the levy would hit more than 100 others around the world. A draft proposal this week stated that the tax would hit companies with an annual global turnover of more than EUR 750 m and total taxable revenues of EUR 50 m generated in the EU. Note that this tax would target big-tech revenues rather than profits.

**The diplomatic clash between the UK and Russia escalated** when Boris Johnson accused Vladimir Putin of personally ordering the poisoning of former spy Sergei Skripal. The UK is seeking to rally international support for punitive measures against Moscow, after describing the attack on the Skripals as an unlawful use of force by the Russian state. The Kremlin is expected to retaliate to the UK's expulsion of 23 Russian diplomats.

**European politics delivered mixed feelings.** In Germany, a definitive solution for governance was achieved, as the SPD voted in favor of a grand coalition, that will lead Angela Merkel to her fourth term as Chancellor. Conversely, in Italy, instability arose as populist and Eurosceptic forces Five Star Movement and anti-immigrant Lega achieved a strong result. Nonetheless, no party or coalition was able to achieve the majority needed to build a government.

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