

# NIC

— Nova Investment Club —

## Market Update

March 19<sup>th</sup> – 30<sup>th</sup> 2018



## MARKET UPDATE

### Bi-Weekly Market Review

March 19<sup>th</sup>, 2018 to March 30<sup>th</sup>, 2018

#### Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	2,641	2.03%	-1.22%	-1.22%
DJIA	24,103	2.42%	-2.49%	-2.49%
Nasdaq	7,063	1.01%	2.32%	2.32%
MSCI World	2,930	1.05%	-1.64%	-1.64%
MSCI EM	4,386	0.15%	-0.61%	-0.61%
Russell 2000	1,529	1.28%	-0.40%	-0.40%
Euro Stoxx 50	3,362	1.92%	-4.07%	-4.07%
FTSE 100	7,057	1.95%	-8.21%	-8.21%
Nikkei 225	21,454	4.06%	-5.76%	-5.76%
Hang Seng	30,093	-0.71%	0.58%	0.58%
Dollar Index	2.74	0.98%	-2.67%	-8.94%
EUR/USD	0.497	-1.15%	3.26%	12.33%
GBP/€EUR	0.049	0.39%	-0.25%	-3.32%
GBP/USD	1.350	-0.78%	3.01%	8.57%
USD/JPY	1.6	0.46%	0.29%	-3.80%
USD/CHF	89.958	-0.10%	1.30%	-4.98%
Brent Crude	1.23	-0.25%	2.64%	2.64%
Gold	1	-0.49%	1.08%	1.08%

#### Generic Bond Yields

bps change

US 10Y Yield	2.739	-7.5	33.4	33.4
GER 10Y Yield	0.497	-3.0	7.0	7.0
JPY 10Y Yield	0.049	2.5	0.1	0.1
UK 10Y Yield	1.350	-9.5	16.0	16.0
PT 10Y Yield	1.609	-11.2	-33.4	-33.4

#### Upcoming Next Week

Next Tuesday, Ford Motor will announce its quarterly sales (exp. \$37.22B 2% YoY increase). On Wednesday, the CPI for the Euro Area in March is due (exp. 1.4%, up from 1.2%). On Friday, US non-farm payrolls are expected to point to the creation of 203k new jobs, with the unemployment rate falling to 4.0%.

**Facebook's stock has plunged nearly 18%** (about \$80B) since 16th March, as concerns over data harvesting on 50 million users broke. A news piece, by The Intercept, showed the precision with which Facebook data can predict race and political affiliation. The data, collected by aggregators such as Cambridge Analytica, was allegedly used by the Trump campaign, and paid for by hedge fund billionaire Robert Mercer. Meanwhile, the company's decision to end its partnership with several large data brokers who help advertisers targeting users brought a temporary halt to this slide.

**Federal reserve officials have unanimously decided to lift the federal funds rate target to 1.5%-1.75%**, in the first OMC meeting chaired by Jerome Powell, who hinted at a 4th rate hike this year, and further to come in 2019 and 2020. Tightening monetary policy set the median projected fed funds rate for 2020 in 3.4%, driving the S&P500 down by 0.2% on 21st March. New inflation forecasts of 2.1% in the next 2 years were released, in accordance with the hawkish tone of the meeting.

**The 3-month LIBOR has spiked over the 2% threshold, its highest point since 2008.** With over \$350T of assets pegged to the Libor, this increase in borrowing costs may also affect adjustable mortgages and drive stock prices downwards. The London's short-term interbank rate has been rising along with the Fed's rate hikes, but picked up in pace lately, this time not due to banking concerns (as in 2008), but instead reflecting the recent issue of short-term US bonds, repatriation effects ahead of US tax reforms, and the unwinding of the Fed's balance sheet. As such, the Libor-OIS spread is expected to remain wide.

**The EU unveiled proposals of a new tax (3%), targeted at companies with annual global revenues of over €750M,** on revenues from online services in Europe, on top of their current tax burden - deemed as too little by the European authorities, as American companies like Facebook, Alphabet or Amazon channel their profits through lower tax jurisdictions within the EU. This comes just weeks after the announcement of US tariffs on steel and aluminium.

**After the mortal accident involving an autonomous Uber on the 18th,** and another involving a Tesla-branded car on the 23rd (still under investigation to assess the causes of the accidents), serious concerns linked to automation have risen, pointing now to further regulation. Furthermore, and not connected with the accident, Tesla is recalling 123.000 Model S cars due to a faulty steering component on cars built from 2012 to April 2016.

**Following the assassination of the former Russian spy earlier this month,** and the consequent expulsion of Russian diplomats by the UK as well as by other countries from the EU and Nato, Russia did not genuflect, and retaliated by considering 60 diplomats from the US Consulate in Saint Petersburg as *persona non grata*. This happened after the Russian Foreign Ministry had summoned EU countries ambassadors on Friday.

**This week Kim Jong-un visited China in a mysterious 20 hours trip by train.** Kim, the supreme leader of North Korea since 2011, left the country for the first time in the preambles of the ahead summits with South Korea (April) and the U.S (May). According to Xi Jinping, the Chinese president, North Korea is aimed to a denuclearization of the Korean peninsula, however, the main concern in the international press is to know what will Kim ask in return.

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