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— Nova Investment Club —

Market Update

July 20th – August 3rd 2018



MARKET UPDATE

Bi-Weekly Market Review

July 20th, 2018 to August 3rd, 2018

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	2,840	0.76%	8.01%	6.24%
DJIA	25,463	0.05%	6.40%	3.01%
Nasdaq	7,812	0.96%	10.21%	13.16%
MSCI World	2,975	-0.63%	0.95%	-0.14%
MSCI EM	3,875	-1.96%	-9.21%	-12.19%
Russell 2000	1,673	0.60%	8.20%	8.98%
Euro Stoxx 50	3,482	-1.27%	-1.32%	-0.62%
FTSE 100	7,659	-0.55%	2.08%	-0.37%
Nikkei 225	22,525	-0.83%	0.08%	-1.05%
Hang Seng	27,676	-3.92%	-8.70%	-7.50%
Dollar Index	95.16	0.52%	2.97%	3.30%
EUR/USD	1.157	-0.76%	-3.50%	-3.64%
GBP/ EUR	1.124	-0.02%	-0.73%	-0.18%
GBP/USD	1.300	-0.79%	-4.23%	-3.79%
USD/JPY	111.3	0.18%	1.89%	-1.28%
USD/CHF	0.994	-0.04%	-0.34%	2.03%
Brent Crude	73.21	-1.45%	-0.56%	9.48%
Gold	1,214.2	-0.72%	-7.50%	-7.26%

Generic Bond Yields

bps change

	Last Close	-1W	-3M	YTD
US 10Y Yield	2.949%	-0.5	0.3	54.3
GER 10Y Yield	0.408%	0.5	-12.4	-1.9
JPY 10Y Yield	0.110%	0.6	6.5	6.2
UK 10Y Yield	1.329%	4.9	-6.1	13.9
PT 10Y Yield	1.782%	5.7	13.5	-16.1

*Source: Bloomberg, as of 2018-08-03

Upcoming Next Week

China and US report CPI, UK and Japan are reporting the annualized data for the QoQ GDP. Earnings season continues into the next week with releases coming from HSBC, UniCredit, Walt Disney (only 4% away from a record high), Glencore, Snap and Macy's.

US and EU pulled out from the brink of a trade war as EU commission president Juncker, met with Donald Trump in a transatlantic trade summit last week. Tariffs could have devastating effects on auto exports from both continents.

US threatened to more than double its previously planned tariff on \$200 bn imports from China, from 10 to 25%, just days after both countries announced they would restart negotiations. Both countries are taking provisions to combat the effects of a trade war. Last week China announced policies targeted at boosting domestic demand, including tax cuts and special bonds as trade tension threatened to worsen the economic slow-down. Trump approved \$12 bn aid programme for farmers suffering the consequences of China's retaliation. Farmers said they prefer to "get income from the marketplace than from the government."

Central Banks around the world met last week. BOE raised benchmark rates for the second time since the financial crisis. BOJ stated it plans to keep low interest rates for an extended period, and FOMC signalled further gradual rate hikes in September, despite Trump's pressure to maintain interest rates low.

America's economic growth picked up to 4.1% in the second quarter, the strongest in four years. Unemployment rate below 4% and slight increase in payrolls.

Turkey's asset selloff continues, with the Lira hitting all-time lows, while 10Y treasury yields are standing at more than 19%.

Facebook stock plunged 17% at the end of the last week, after missing earnings estimates and revising down future growth expectations. This worsened the ongoing tech selloff, sinking FAANG and NASDAQ. Google had a stronger than expected quarter despite regulatory fees in Europe. Apple also surprised investors with EPS growing 40% YoY, driving the stock to surpass the \$1 tr market cap barrier for the first time in world history.

Fiat Chrysler named Jeep chief Mike Manley CEO, after Sergio Marchionne dies. The same day the company reported 39% quarterly earnings growth. The former CEO was responsible for the turnaround that started in 2004.

Qualcomm \$4 bn bid for NXP failed approval of Chinese regulators, putting an end to what would have been the largest semiconductor takeover globally.

Tesla stock made a 10% jump to its highest value in a month after CEO Elon Musk apologized to the analysts he had dismissed in the previous conference call. Also, Tesla reported a \$3.06 EPS decrease, a bigger loss than the \$2.92 analyst consensus, yet revenues beat expectations to a record high of \$4 bn.

US China trade war may be turning into a currency war as yuan depreciates to the lowest value in 2 years, getting close to 7 yuan per dollar. Trump accused China of currency manipulation. The Chinese central bank stepped in today, imposing a reserve requirement meant to make it more expensive to short, as happened in 2015.