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— Nova Investment Club —

Market Update

August 20th – September 3rd 2018



MARKET UPDATE

Bi-Weekly Market Review

August 20th, 2018 to September 3rd, 2018

Market Moves

% change	Last Close	-1W	-3M	YTD
S&P 500	2,896	0.77%	5.93%	8.35%
DJIA	25,932	0.55%	5.26%	4.91%
Nasdaq	8,091	1.84%	7.12%	17.22%
Russell 2000	1,734	0.48%	5.22%	12.92%
Euro Stoxx 50	3,392	-1.01%	-1.76%	-3.17%
FTSE 100	7,432	-1.91%	-3.50%	-3.32%
Nikkei 225	22,865	1.17%	3.13%	0.44%
Hang Seng	27,889	0.78%	-8.54%	-6.79%
Dollar Index	95.10	-0.05%	1.19%	3.23%
EUR/USD	1.160	-0.19%	-0.50%	-3.35%
GBP/EUR	1.118	1.13%	-2.36%	-0.70%
GBP/USD	1.296	0.92%	-2.91%	-4.08%
USD/JPY	111.0	-0.23%	1.33%	-1.53%
USD/CHF	0.970	-1.35%	-1.85%	-0.47%
Brent Crude	77.48	-1.45%	-2.19%	16.47%
Gold	1,205.9	-0.53%	-7.96%	-9.27%

Generic Bond Yields

bps change	Last Close	-1W	-3M	YTD
US 10Y Yield	2.839%	-2.0	-8.9	43.0
GER 10Y Yield	0.329%	2.2	-7.7	-10.1
JPY 10Y Yield	0.110%	1.0	6.2	6.0
UK 10Y Yield	1.286%	5.1	-3.9	9.5
PT 10Y Yield	1.918%	7.0	-1.7	1.5

*Source: Wall Street Journal, as of 2018-08-31

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.

Argentinian peso collapses despite 15pp rate hike. The currency fell 12% versus the dollar on Thursday, after an appeal by President Macri for the IMF to speed up the release of its financial aid package. A decision to hike rates to 60% was not effective in stopping the subsequent sell-off and repercussions were felt in among various emerging markets, with the FTSE Emerging Market equities index falling 1.3%.

Turkish lira showed positive trend, rebounding to 67 per dollar on Friday (+13% since a marked fall on August 16th, and + 30% month-to-date). Government has recently announced it will do away with taxes on long-term lira deposits in order to incentivize savings in the currency.

Yield on Italian debt rises again after government refinanced at record-high prices in bond sale, paying 3.25% on newly issued 10-year notes (+37bps since last issuance). 10-year bonds were trading at 3.22% on Friday (+90bps vs its week low before the bond sale). Fitch is expected to review Italy's rating to BBB- after market close this Friday.

Donald Trump threatens to withdraw from the WTO. The US president admitted to be considering a possible exit from the group, amid criticism of the Eus trade policy. This comes as US-Canada Nafta negotiations for a new trilateral deal appear to be closing.

Coca-Cola is set to buy Costa Coffee to Whitbread for £3.9bn. Whitbread's shares rose 18% after announcing the spin-off, easing pressure on the group from activists Elliot Advisors and Sachem Head. With the transaction, Coca-Cola hope to leverage its scale and supply chain capabilities to grow in one of the few beverage segments where it had not been present before. For the FTSE100 group, it represents a pivot towards its Premier Inn business.

Portugal's real GDP growth confirmed at 2.3% YoY and 0.5% QoQ during 2Q2018, up 0.2pp and 0.1pp QoQ, respectively. Private consumption was the main driver according to INE, growing at 2.6% YoY, while net exports and investment were down vs Q1. The HCPI eased to 1.3% (-0.9pp QoQ), while employment grew by an annualized 2.1% (-1.0pp QoQ).

President Trump has rejected the EU's offer to scrap tariffs on cars, reports Bloomberg. The European Trade Commissioner had earlier said the EU would be willing to bring down all tariffs — including car tariffs — to zero, if the US was willing to match their policy. Trump stated the offer is “not good enough”. Last month, the US and the EU agreed to move toward zero tariffs on industrial goods, but automobiles were not included in the deal.

Leo de Figueiredo & Pedro Sousa