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— Nova Investment Club —

Market Update

July 1st – July 12th 2019



Market Update

Bi-Weekly Market Review

July 1st to July 12th, 2019

Market Moves

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	3 014	0.78%	3.66%	21.24%
DJIA	27 332	1.52%	3.48%	18.51%
Nasdaq	8 244	1.01%	3.26%	25.20%
MSCI World	2 931	-0.15%	0.44%	15.10%
MSCI EM	3 849	-1.40%	-5.63%	8.84%
Russell 2000	1 570	-0.36%	-0.93%	17.35%
Euro Stoxx 50	3 498	-0.86%	1.44%	17.11%
FTSE 100	7 506	-0.62%	0.93%	11.46%
Nikkei 225	21 686	-0.28%	-0.84%	8.35%
Hang Seng	28 472	-1.05%	-4.81%	11.64%
Dollar Index	96.81	-0.49%	-0.17%	0.42%
EUR/USD	1.127	0.40%	-0.26%	-1.52%
GBP/EUR	1.116	-0.03%	-3.56%	0.53%
GBP/USD	1.257	0.41%	-3.84%	-1.00%
USD/JPY	107.91	-0.52%	-3.67%	-2.14%
USD/CHF	0.984	-0.75%	-1.82%	-0.04%
Brent Crude	66.72	3.88%	-6.75%	27.82%
Gold	1 412.2	0.86%	9.42%	10.07%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	2.122%	8.81	-44.32	-59.63
GER 10Y Yield	-0.210%	15.30	-26.50	-45.20
JPY 10Y Yield	-0.114%	4.10	-5.80	-11.70
UK 10Y Yield	0.835%	9.70	-37.70	-43.40
PT 10Y Yield	0.654%	21.90	-51.80	-106.80

*Source: Bloomberg, as of 2019-07-12

Upcoming Next Week

On Tuesday, the European Parliament votes on the next EU Commission President. Ursula von der Leyen has promised parliament a bigger say in Brussels' decision-making, as she seeks MEPs for the top post in Brussels for the next five years.

Fed turns dovish alongside lacklustre US PMI. Markets expect a 25.0 bps cut in July as Jay Powell makes the case for cutting rates due to "uncertainties about the outlook." The PMI posted 50.6 in June, mostly in line with 50.5 in May, to signal only a marginal improvement in the health of the US manufacturing sector. The past two months have seen the highest readings since the height of the financial crisis in 2009, signifying tough business conditions.

US Q2 earnings poised to reveal profit recession. The S&P 500 companies are estimated to report an earnings fall of 2.80% and the S&P 600 report a 12.00% EPS drop in Q2. Investors are paying close attention to the uncertainty over the trade war, its impact on business' spending plans and supply chains.

Cargill reports sharp drop in Q4 earnings. The biggest privately owned US company faced extreme weather events, the spread of a deadly pig virus and the fallout from the US-China trade spat which took earnings for the full year to USD 2.8 bn, down 12.00% from the year before.

Finance Minister departure sends Mexican shares lower. Stocks in Mexico, as measured by the IPC Index, declined about 1.86% on Friday. Mexican assets, including the peso, were pressured by the unexpected resignation of market-friendly Finance Minister Carlos Urzúa on Tuesday. This was due to internal frictions and policy disagreements that could prompt more pragmatists to leave the Andres Manuel Lopez Obrador (AMLO) administration.

European manufacturing shows signs of life as output beats estimates. Output jumped 0.90% from the previous month, beating the 0.20% median estimate by economists. The outlook is clouded by trade tensions that hit confidence and forward-looking surveys, as well as comments from

company executives – the ECB has said stimulus may be needed.

Restraint in German public spending means Eurozone bond markets are short of their safest assets. Germany has just sold EUR 3.2 bn of new 10-year bonds at a negative yield. Interest costs are set to fall even further over the next 5 years as maturing German bonds get refinanced at lower rates.

Greece elects pro-Europe, business-friendly Prime Minister. Voters defied the Eurosceptic trend that has dominated many EU elections this year and elected a new prime minister from the resurgent centre-right pro-EU New Democracy Party. Kyriakos Mitsotakis, a Harvard-educated former banker and son of a 1990s prime minister, took office this week with a solid mandate to deliver on his business-friendly agenda. Mitsotakis vowed to cut taxes, attract investment, and improve the job market.

Worries over independence of Turkish Central Bank. Turkish stocks, as measured by the BIST 100 Index, returned -2.50% on Friday. The market started the week on a negative note, following news that President Recep Tayyip Erdogan fired Murat Cetinkaya, the head of the central bank. This action, reportedly because Cetinkaya was unwilling to reduce interest rates given the country's elevated inflation rate, fanned investors' fears that Turkey's central bank was losing its independence under the Erdogan regime. Cetinkaya's successor is central bank deputy governor Murat Uysal.

Bitpoint exchange says hackers stole USD 32.0 m in cryptocurrency. The incident is raising questions about whether regulators have done enough to protect cryptocurrency customers. Shares in the company fell by their daily limit to trade down 18.60%.

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