

# NIC

— Nova Investment Club —

## Market Update

July 27<sup>th</sup> – August 10<sup>th</sup> 2019





## Market Update

### Bi-Weekly Market Review

July 27<sup>th</sup> to August 10<sup>th</sup>, 2019

#### Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	2 919	-0,46%	1,67%	17,42%
DJIA	26 287	-0,75%	1,78%	13,98%
Nasdaq	7 959	-0,56%	0,61%	20,88%
MSCI World	2 810	-1,04%	-0,88%	10,36%
MSCIEM	3 577	-2,85%	-4,61%	1,15%
Russell 2000	1 513	-1,34%	-3,63%	13,09%
Euro Stoxx 50	3 334	-1,26%	-0,51%	11,63%
FTSE 100	7 254	-2,07%	0,64%	7,72%
Nikkei 225	20 685	-1,91%	-3,35%	3,35%
Hang Seng	25 939	-3,64%	-8,38%	1,71%
Dollar Index	97,49	-0,59%	0,12%	1,13%
EUR/USD	1,120	0,83%	-0,13%	-2,13%
GBP/EUR	1,074	-1,90%	-7,36%	-3,20%
GBP/USD	1,203	-1,06%	-7,54%	-5,24%
USD/JPY	105,69	-0,84%	-3,69%	-4,15%
USD/CHF	0,973	-0,99%	-4,17%	-1,21%
Brent Crude	58,53	-5,43%	-16,85%	12,13%
Gold	1 496,6	3,53%	16,45%	16,65%

#### Generic Bond Yields

bps change

	Last Close	-1W	-3M	YTD
US 10Y Yield	1,745%	-10,05	-69,76	-97,35
GER 10Y Yield	0,576%	-8,10	-52,90	-81,80
JPY 10Y Yield	0,217%	-5,40	-16,90	-22,00
UK 10Y Yield	0,484%	-6,60	-64,10	-78,50
PT 10Y Yield	0,292%	-	-82,60	-143,00

\*Source: Bloomberg, as of 2019-08-09

#### Upcoming Next Week

Next week should see the eagerly awaited release of two economic indicators, as Tuesday sees the US CPI for July released and Wednesday will mark the announcement German GDP growth regarding the last quarter.

#### In Focus

### August

**UK economy shrinks for the first time in almost seven years.** Q2 plummet came alongside the intensification of Brexit uncertainty and against a backdrop of weaker global growth. Weaker than forecasted GDP data hurt the sterling, which fell 0.60% against dollar to below USD 1.21 and 0.70% against the euro to EUR 1.07, sending it to two-and-a-half-year lows.

**Uber reported a USD 5.2 bn loss as IPO costs hit earnings.** The American transportation network company dissatisfied investors with Q2 results that showed a big hit from costs associated to its IPO, even as the ride-hailing giant said competitive pressures in the lossmaking industry were easing. In one year the net loss increased from USD 878.0 m to USD 5.2 bn, a large amount of this surge being due to the stock-based compensation expenses.

**Turkey records first annual current account surplus since 2002.** The flow measure was reported to be in a USD 538.0 m surplus. As recently as May last year Turkey had a current account deficit of almost USD 60.0 bn. The Turkish turnaround has been essentially due to the drop in imports that accompanied the growth slowdown following last year's severe currency crisis.

**Donald Trump slaps broad new sanctions on Venezuelan government.** The US president has announced a near total economic embargo on Venezuela in an effort to force president Nicolás Maduro out of office. An executive order to freeze all Venezuelan government assets in the US was signed, which also barred foreign nationals from undertaking financial transactions with the regime, dramatically ratcheting up pressure on Maduro. This is the first time such action is taken by the US against a government in the western hemisphere since 1988.

**German court hears case against ECB bond-buying.** Members of Germany's constitutional court in Karlsruhe opened a fresh hearing about the legality of European Central Bank assets purchase programme, as it gears up for an expansion of its economic stimulus. After 4 years, the purchased bonds amount to EUR 2.6 tn, while this quantitative easing programme remains controversial in the northern eurozone states.

**The Federal Reserve cut interest rates and signalled more easing if needed.** The Fed cut its main interest rate by 25.0 bps, this being the first reduction since the financial crisis of 2008. Jay Powell, Fed chairman, disappointed investors by referring to this decision as a 'mid-cycle adjustment' rather than the beginning of a more aggressive cycle of monetary easing.

**India scraps Kashmir's special status and imposes lockdown.** New Delhi has abolished a constitutional provision that guaranteed special rights to Jammu and Kashmir, the country's only Muslim-majority state, although this might reopen historic wounds inflicted at the founding of the modern Indian state. This decision risks fuelling already heightened tensions with neighbouring Pakistan.

**US Treasury officially labels China a currency manipulator.** The Trump administration raised this accusation after the Chinese central bank allowed the renminbi to decrease below a key threshold, thus creating an allegedly unfair trade advantage. This marks a dramatic escalation in the trade war between the two economic powers and has affected the markets around the world, with US stocks recording the biggest one-day drop this year. On Tuesday, Asian stock markets opened sharply, as investors worried that trade tensions hold back global growth.

Gonçalo Pina Santos

