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— Nova Investment Club —

Market Update

August 10th – August 24th 2019



Market Update

Bi-Weekly Market Review

August 10th to August 24th, 2019

In Focus

August

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	2 847	-1.44%	0.74%	13.57%
DJIA	25 529	-0.99%	0.17%	9.87%
Nasdaq	7 752	-1.83%	-1.50%	16.83%
MSCI World	2 095	-0.66%	0.34%	11.19%
MSCI EM	974	0.35%	-1.32%	0.83%
Russell 2000	1 459	-2.29%	-3.61%	8.23%
Euro Stoxx 50	3 334	0.16%	-0.49%	11.09%
FTSE 100	7 095	-0.31%	-2.51%	5.45%
Nikkei 225	20 711	1.43%	-1.92%	3.48%
Hang Seng	26 179	1.73%	-4.29%	1.29%
Dollar Index	97.26	-0.90%	-0.36%	1.13%
EUR/USD	1.124	1.35%	0.29%	-2.00%
GBP/EUR	1.092	-0.27%	-3.72%	-1.83%
GBP/USD	1.228	1.08%	-3.41%	-3.77%
USD/JPY	105.4	-0.91%	-3.56%	-3.82%
USD/CHF	0.975	-0.39%	-2.70%	-0.71%
Brent Crude	58.94	0.51%	-14.90%	8.85%
Gold	1 537	0.87%	19.68%	19.63%

Generic Bond Yields

bps change

	Last Close	-1W	-3M	YTD
US 10Y Yield	1.538%	-21.0	-85.5	-114.7
GER 10Y Yield	-0.672%	-10.0	-57.0	-91.5
JPY 10Y Yield	-0.235%	-1.6	-18.0	-23.5
UK 10Y Yield	0.482%	-0.5	-55.4	-66.4
PT 10Y Yield	0.158%	-12.2	-89.0	-156.1

*Source: Bloomberg, as of 2019-08-24

Upcoming Week

Boris Johnson will get his first moment on the world stage in his new prime-ministerial role at the G7 summit in France this weekend, as Britain's stance on and execution of Brexit raises fear and expectation worldwide.

US Treasury bond yield curve suffers first inversion in 12 years. For the first time since 2007, the US Treasury bond yield curve inverted, reflecting higher shorter-dated borrowing costs than longer ones, with US 2-year note yields rising above 10-year note yields. This inversion, which reached minus 1.70 bps, has its status as a successful historic recession indicator challenged by contemporary demographics and high savings rates.

Britain's economy braces for the harshest EU scenario. Boris Johnson's insistence on following through with Brexit with or without a deal, on October 31, has left Britain bracing for an unprecedented economic shock. The UK economy saw its first shrinkage for the first time in close to seven years in Q2, while GDP fell 0.20% in the three months leading up to June amidst Brexit-centric consequences.

Trade war and political protests push Hong Kong to the brink of recession. The first recession in a decade for one of the world's most popular shopping destinations has followed increasingly violent anti-government protests repelling tourists and harming retail sales. The city's government confirmed it was adjusting its full-year 2019 growth forecast to a range of 0.00%-1.00% from the previous 2.00%-3.00% which had been pinned a day earlier as a modest economic support package was being announced.

Germany readies 30-year, coupon-free bond. Investors' fondness of very low and even negative yields faces the test of a 30-year bond with no interest payments. This EUR 2.0 bn bond maturing in 2050 represents the first time that Berlin has issued 30-year debt with a zero-coupon, following an identical step with 10-year bonds. German Bund popularity among investors has increased in recent weeks while the Bundesbank warned of the likelihood of a Q3 recession.

China responds to US with new tariffs on USD 75.0 bn in goods. China announced retaliatory tariffs adding as much as an additional 10.00% over existing rates, representing additional tariffs of 5.00% or 10.00% on a total of 5078 US products, following US tariffs on USD 300.0 bn worth of Chinese goods.

US 30-year bond yield falls to record-low. A trade-fuelled government bond rally followed the 30-year US Treasury bond yield dropping to as low as 1.91% - the first time it has fallen below 2.00% and the lowest level on record since the 1970s, with a growing list of connected concerns such as decreased global growth and US-China trade tensions catalysing the trend.

Investors retract USD 2.9 bn from funds investing in China. Concerns over economic growth and tariffs weighing on Chinese shares lead to an exodus that has now reached USD 5.9 bn from pulled funds since the start of the year, from mutual funds and exchange traded funds investing in China's A-shares market.

Euro bond yields tick up prior to Powell speech. Most euro zone bonds yields rose to their highest in over a week prior to a speech by Federal Reserve Chairman Jerome Powell, as investors readied for aggressive US rate cuts.

Presidio Inc to go private in USD 2.1 bn deal. Presidio Inc will be purchased by Investment firm BC Partners in a USD 2.1 bn all-cash deal. Stockholders will receive USD 16.0 per share, a 21.30% premium to Presidio's previous closing price.

Facebook's Libra currency raises concerns amongst EU antitrust regulators. Regulators question possible anti-competitive limitations amongst Libra's use of consumer data.

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