

NIC

— Nova Investment Club —

Market Update

September 7th – September 20th 2019



Market Update

Bi-Weekly Market Review

September 7th to September 20th, 2019

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	3 012	0,16%	1,96%	20,15%
DJIA	27 160	-0,22%	1,52%	16,43%
Nasdaq	8 179	0,02%	1,58%	23,26%
MSCI World	2 204	-0,05%	0,98%	17,03%
MSCIEM	1 017	-0,98%	-3,53%	5,26%
Russell 2000	1 567	-0,67%	0,26%	16,24%
Euro Stoxx 50	3 571	0,61%	2,99%	19,01%
FTSE 100	7 355	-0,16%	-0,93%	9,33%
Nikkei 225	22 079	1,47%	2,87%	10,31%
Hang Seng	26 435	-3,35%	-7,41%	2,28%
Dollar Index	98,53	0,21%	2,33%	2,38%
EUR/USD	1,102	-0,50%	-3,09%	-3,93%
GBP/EUR	1,132	0,27%	0,99%	1,73%
GBP/USD	1,248	-0,18%	-2,06%	-2,18%
USD/JPY	107,6	-0,48%	0,23%	-1,85%
USD/CHF	0,991	0,08%	1,51%	0,96%
Brent Crude	64,77	7,50%	-0,89%	19,61%
Gold	1 524	1,92%	8,65%	18,66%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	1,768%	16,7	-35,6	-96,1
GER 10Y Yield	-0,518%	11,5	-26,7	-76,1
JPY 10Y Yield	-0,207%	2,7	-9,3	-21,8
UK 10Y Yield	0,629%	12,3	-22,1	-51,8
PT 10Y Yield	0,245%	5,5	-36,2	-147,3

*Source: Bloomberg, as of 2019-09-20

Upcoming Next Week

On Tuesday, US will release data on Consumer Confidence and, on Thursday, GDP for Q2.

Also on Tuesday, Germany will announce "German Ifo business climate index" results and RBNZ will be setting its interest rate.

In Focus

September

New interest rate decrease by the Fed. In order to keep the American economy growing in the face of weakness in global growth and trade policy, Jerome Powell announced a 0.25% decrease in the benchmark interest rate, leaving it in a range of 1.75% to 2.00%.

Fed intervenes in the repo market for four days in a row. By injecting USD 278.2 bn from Tuesday to Friday, the Fed managed to return the repo rates to normal values, after they spiked to 10.00% on Tuesday. Nevertheless, this is a band-aid which does not solve the structural issues caused by the Fed's declining reserves. As such, Powell said that a resume of the Fed's balance sheet growth may be on the cards.

ECB announces new stimulus package. To prevent Eurozone from sliding into a recession, Draghi unveiled a package of measures, including a cut in bank deposit rate at the ECB to -0.50% and a restart of the quantitative easing program with EUR 20.0 bn of bond purchases each month.

Bank of England keeps interest rates on hold. This seemingly dovish decision raises the expectation of future rate cuts if the uncertainty regarding Brexit remains and the global economy remains sluggish.

EU claims all Boris Johnson's Brexit plans fail to solve the backstop, showing that a deal is still far from being reached. Meanwhile, Dublin wants the issue solved before Brexit occurs. In the UK, the Supreme Court's ruling on the prorogation of the parliament will be announced next week.

China's economic data shows worrying signs of a slowdown. After the weakest growth in over 30 years in Q2, new data keeps the same negative trend. In August, industrial output had a 4.40% YoY growth, the weakest since February 2002. Moreover, factory prices fell by 0.80% YoY.

Trump delays introduction of tariffs on Chinese products. As the 70th anniversary of the People's Republic of China approaches, Trump decided to delay the introduction of new tariffs by two weeks, until October 15th.

The IMF might delay a USD 5.4bn payment to Argentina. This possibility arises as a depreciating peso, quickly increasing inflation, and Peronist Alberto Fernandez's likely win in the upcoming elections cast doubt over the country.

Drone attack on Saudi Arabia oil fields leads to loss in production of 5.7 m barrels a day. Saudi Arabia is the world's third largest oil producer, with 9.8 m barrels a day, and the attack affected two of the main oil fields in the country. It caused a drop of over 5.00% in global supply. On Monday, after the attack, Brent crude spiked 14.60%, to USD 69.0 per barrel. The price stabilized during the week, closing near USD 65.0 per barrel. The attack took place while Saudi Aramco, the world's largest oil company, pursues an IPO. Saudi officials consider delaying the IPO to evaluate the extent of the damages.

Airbnb set to go public in 2020. On Thursday, one day after having reported second-quarter profits of over USD 1.0 bn, the platform announced the intention of going public next year. In its most recent funding round, the company was valued at over USD 31.0 bn, thus making it a likely presence among the biggest listings in 2020.

WeWork postpones its IPO. WeWork failed to attract interest from investors, due to concerns over the business model and the excessive influence of its CEO, Adam Neumann. Investors valued the company at USD 15.0 to 18.0 bn, far from the 47.0 bn valuation earned in January.

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