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— Nova Investment Club —

Market Update

June 29th – July 10th 2020



Market Update

Bi-Weekly Market Review

June 29th to July 10th, 2020

Market Moves

% change	Last Close	-1W	-3M	YTD
S&P 500	3,185	12.25%	23.68%	19.13%
DJIA	26,075	-0.67%	11.54%	5.49%
Nasdaq	10,617	43.19%	57.82%	53.80%
MSCI World	2,730	-13.48%	-4.90%	-8.36%
MSCI EM	3,941	-16.74%	-6.69%	-10.70%
Russell 2000	1,423	-11.06%	-5.33%	-7.35%
Euro Stoxx 50	3,296	-9.52%	-10.28%	-5.93%
FTSE 100	6,095	-20.25%	-18.65%	-20.71%
Nikkei 225	22,291	-6.89%	1.27%	-2.08%
Hang Seng	25,727	-21.94%	-8.92%	-14.01%
Dollar Index	96.65	8.35%	2.22%	4.92%
EUR/USD	1.13	-8.93%	-2.97%	-5.87%
GBP/EUR	1.12	-2.67%	-2.04%	-0.78%
GBP/USD	1.26	-11.37%	-4.98%	-6.59%
USD/JPY	106.93	-2.10%	-5.90%	-5.11%
USD/CHF	0.94	-0.43%	-5.65%	-3.40%
Brent Crude	43.24	-38.69%	-29.54%	-35.34%
Gold	1,801.90	32.85%	41.83%	37.62%

Generic Bond Yields

change in bps	Last Close	-1W	-3M	YTD
US 10Y Yield	0.645%	2.6	2.4	2.4
GER 10Y Yield	-0.465%	0.6	0.4	0.4
JPY 10Y Yield	0.027%	0.1	0.1	0.0
UK 10Y Yield	0.155%	1.4	1.3	1.2
PT 10Y Yield	0.419%	1.9	2.1	1.9

*Source: Bloomberg, as of 2020-07-10

Upcoming Week

Next week should see the eagerly awaited release of the Chinese second-quarter GDP data on Wednesday. Projections expect the second-quarter GDP to come about a 1.5% growth quarter-on-quarter.

In Focus July

Ireland's Finance Minister has been elected president of the Eurogroup. Paschal Donohoe succeeds for president Mário Centeno and has the big task ahead of him of steering the group's coronavirus-damaged economies out of their worst downturn. Donohoe was elected after two rounds of votes in which he defeated Spain's Economy Minister and Luxembourg's Finance Minister.

Bulgaria and Croatia get the green light for the adoption of Euro. Bulgaria and Croatia will likely become the 20th and 21st countries to adopt the common currency. In the east of Europe, switching to Euro is seen as a way to boost investment, and also to disconnect from its communist past. In addition, both countries had to keep budget deficits, government debt and inflation in check, which was made difficult by the ongoing pandemic.

Fed's corporate bond purchases continue to slow down. The Fed bought only \$1.3bn in late June, which combined with purchases from earlier in the month brings up a total of \$1.8bn in corporate debt. This amount is placed well under the \$750bn of capital from the original programme. Moreover, the executive vice-president of the New York Fed said that purchases may stop entirely if market conditions continue to improve.

US homebuyer mortgage applications spike 33%, as interest rates plunge. Real estate prices continue to increase due to the remarkable demand spike, alongside record low supply of homes for sale. Furthermore, the average purchase loan size increased to \$365,700, another record-setting value, as buyers contend with low mortgage rates and a strong seller's market.

Gold surged to more than \$1800 an ounce on Wednesday for the first time in 9 years. The commodity has climbed in recent weeks as investors looked for a safe place to

invest their cash at a time of record low bond-yields and expectations for a rise in inflation. Consequently, the demand for gold has boosted, having gained about 16% in price this year. Net inflows into gold-backed ETFs hit \$5.6bn in June, taking global holdings to a new unsurpassed high worth more than \$200bn, according to the World Gold Council.

Uber has reached a deal to buy Postmates in an all-stock purchase worth \$2.65bn. The deal, which is expected to close in the first-quarter of 2021, comes after the failed bid by Uber to take over Grubhub in June. Postmates, a San Francisco-based food delivery company, was valued at \$2.4bn in its last funding round in September 2019 and has raised about \$900m from private investors. Uber plans to maintain Postmates as a separate consumer app but improve its efficiency and combined merchant and delivery network.

Facebook, Google and Twitter have temporarily blocked Hong Kong from accessing user data. This move comes after the semi-autonomous city threatened jail terms against companies that did not comply with a new Chinese security law. The Hong Kong government announced that the law requires social media companies to remove content which is considered illegal, cut individuals' access to platforms and, in the case a warrant is granted, abide by reasonable decryption requests.

Carnival Corporation to liquidate 13 ships as the pandemic keeps affecting the cruise business. The biggest cruise operator in the world expects to reduce its fleet by 9% of its capacity as it continues to burn the remaining cash due to the most recent sailing suspension, which is expected to end in mid-September. With this move, Carnival will see its fixed costs lower, and a stronger cash position, which will hopefully keep this cruise operator afloat.

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