

NIC

— Nova Investment Club —

Market Update

July 10th – July 25th 2020



Market Update

Bi-Weekly Market Review

July 10th to July 25th, 2020

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	3215,63	-1,11%	13,36%	-0,18%
DJIA	26469,89	-0,79%	11,33%	-7,00%
Nasdaq	10363,18	-3,75%	20,02%	15,84%
MSCI World	2291,58	-0,92%	15,29%	-2,62%
MSCI EM	1060,47	-0,38%	20,59%	-5,18%
Russell 2000	1467,55	-0,03%	19,02%	-11,81%
Euro Stoxx 50	3310,89	-2,29%	17,86%	-11,67%
FTSE 100	6123,82	-2,20%	6,46%	-19,29%
Nikkei 225	22751,61	0,15%	18,12%	-3,83%
Hang Seng	24705,33	-1,41%	3,67%	-12,76%
Dollar Index	94,44	-1,45%	-5,92%	-2,38%
EUR/USD	1,16	1,75%	7,41%	3,57%
GBP/EUR	1,1	0,00%	-4,35%	-5,98%
GBP/USD	1,27	0,79%	2,42%	-3,05%
USD/JPY	106,84	-0,23%	-0,77%	-1,09%
USD/CHF	0,93	-1,06%	-5,10%	-4,12%
Brent Crude	\$43,34	0,14%	102,15%	-36,67%
Gold	\$1 925,20	5,93%	10,92%	26,77%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	0,59%	-0,03	-0,01	-1,31
GER 10Y Yield	-0,40%	0,03	0,04	-0,25
JPY 10Y Yield	0,02%	0,00	0,04	0,04
UK 10Y Yield	0,14%	-0,01	-0,15	-0,72
PT 10Y Yield	0,37%	-0,02	-0,73	-0,07

Upcoming Week

Nest week, both the Federal Open Market Committee (FOMC) and the chairman of the Fed are holding press conferences to discuss its next steps as the number of cases increases, the economic recovery is stagnant, and the stocks keep surging.

In Focus

July

EU has reached a recovery deal. Tuesday was pledged a recovery package containing €750bn, with a total budget of €1.84tr, in which €390bn are loans destined to the European countries that are struggling the most and €360bn are low interest loans to all the countries of the EU. This announcement, aligned with the dollar selling off, led to a all time high from the last 18 months for the EUR/USD pair.

Germany is the first country to announce a post-coronavirus stimulus package. Germany recently announced a €130bn programme combining direct payments to households, tax cuts and spending measures lasting two years of more than 3% of its GDP. The countercyclical measure will help stimulate private investment in the fragile environment the world is currently in.

Chinese GDP has registered a 3,2% growth in the second quarter. The Chinese economy has started to show recovery signals from the decrease of 6,8% on the first quarter. However, this surge is due to the incentives given to its industrial activity as the demand is still not recovering, with a retail sales plunge of 3,9%. Despite the economic growth, the stock market had its biggest fallout of the last 5 months.

China and Iran are discussing an agreement that could cause turmoil in the oil industry. Reports are surging of a China-Iran economic and security deal. Iran, facing economic sanctions from the US, might very well find in China (the world's 2nd biggest crude importer) a reliable ally. China will also benefit from the support of a major OPEC oil producer, in a strategic part of the world, as trade tensions between China and the US are still in play. Reportedly circulating online is an 18 page draft of the deal, which includes up to \$400bn of investment from China in Iran and deepened military cooperation.

Russia cuts interest rates. In Moscow, the Russian central bank has cut its key interest rate as the coronavirus pandemic exerts pressure on the economy. The rate has been lowered by 25 bps to 4.25%, following a 100 bps cut in June, now reaching a new all time low. Additionally, keeping the topic of rate cuts, the South African repo rate was cut by 25 bps in the previous week.

Turkey's bond market is losing foreign investors. Foreign investors have withdrawn over \$7bn from Turkey's bond market, currently owning only about 5% of the country's sovereign bonds. Low nominal interest rates combined with inflation and socioeconomic pressure from the Covid-19 pandemic are strong motives for the debt instruments' current unattractiveness.

Tesla meets requirements to be included in the S&P 500. 2020 Has been a great year for Elon Musk. Tesla's shares have more than tripled in price, reaching a market capitalization of more than \$300bn. This week, the company announced its Q2 earnings figures. Once again, the car maker is tuming a profit, ending the full year of profitability required to join the S&P 500 index, finalizing the required steps to be considered for inclusion.

SMIC was the largest IPO of the SSE in the last decades. Huawei is the major client of Semiconductor Manufacturing International Corporation (SMIC), representing almost a fifth of its revenues. The tensions between US and China and the interdiction that US companies have from making deals with Huawei was not enough to stir investor's confidence in the company. In fact, SMIC escalated 246% in the first day of trading with a company valuation at its target share price of 113 times its earnings, whilst its largest competitor is trading at 27 times its earnings.

André Fael
Patricia Coelho