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— Nova Investment Club —

Market Update

July 25th – August 7th 2020



Market Update

Bi-Weekly Market Review

July 25th to August 7th, 2020

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	3 351	2,45%	30,13%	25,35%
DJIA	27 433	3,80%	17,35%	10,98%
Nasdaq	11 011	2,47%	63,67%	59,50%
MSCI World	2 852	2,50%	-0,68%	-4,29%
MSCI EM	3 994	1,36%	-5,42%	-9,49%
Russell 2000	1 569	6,00%	4,42%	2,19%
Euro Stoxx 50	3 253	2,47%	-11,47%	-7,17%
FTSE 100	6 032	2,28%	-19,50%	-21,54%
Nikkei 225	22 330	2,86%	1,45%	-1,91%
Hang Seng	24 532	-0,26%	-13,15%	-18,01%
Dollar Index	93,44	0,09%	-1,18%	1,42%
EUR/USD	1,179	0,08%	1,21%	-1,82%
GBP/EUR	1,108	-0,29%	-2,88%	-1,63%
GBP/USD	1,305	-0,25%	-1,74%	-3,41%
USD/JPY	105,92	0,09%	-6,79%	-6,01%
USD/CHF	0,912	-0,05%	-8,54%	-6,35%
Brent Crude	44,40	2,54%	-27,65%	-33,60%
Gold	2 010,1	2,41%	58,21%	53,52%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	0,564%	3,6	-181,5	-184,1
GER 10Y Yield	-0,509%	1,5	-87,2	-93,6
JPY 10Y Yield	0,012%	-0,8	-5,9	-3,6
UK 10Y Yield	0,139%	3,5	-119,3	-105,1
PT 10Y Yield	0,297%	-5,4	-177,7	-164,6

*Source: Bloomberg, as of 2020-08-07

Upcoming Week

On August 12th, the CPI of the United States will be released. Three months after May's four-and-a-half-year low, the numbers for inflation are expected to increase as the American economy has been pointedly more active.

In Focus

August

Waves of protests all over Lebanon as Beirut explosion increased tension. Large protests are happening in Lebanon amid growing anger at the corruption and incompetence that appears to have paved the way for one of the biggest non-nuclear explosions the world has ever seen. The blast came as Lebanon reels from its worst economic crisis in decades and its hospitals struggle to cope with a rising coronavirus outbreak.

Coronavirus plunges eurozone economy into historic recession. Followed by a decline of 3.6% in the first quarter, Eurozone gross domestic product fell 12.1% between the first and second quarters of 2020, the sharpest drop in 25 years of records. The Spanish economy fell by 18.5%, taking its total contraction in the first six months of this year to 22% and wiping out all the gains made in the seven years since its last recession. By contrast, Germany has fared better since the start of the pandemic, recording a 12% contraction so far in 2020.

Fed leaves policy rate unchanged. The Federal Open Market Committee (FOMC) announced that the benchmark interest rate, the target rate for federal funds, will remain at 0%-0.25% as widely expected. The post-meeting statement labelled the current state of growth as better than it was at the trough but still not satisfactory, and noted that the path of the economy will depend on the course of the coronavirus outbreak.

Brazil cuts its benchmark interest rate to an all-time low. Low inflation allowed Brazil's central bank to cut its key interest rate to an all-time low, from 2.25% to 2%. Even though Brazil's economy is expected to shrink this year at the fastest pace on record, with forecasts ranging from the government's -4.7% to the IMF's -9.1%, the Central Bank warned there was little to no room for further monetary stimulus to support an economy ravaged by the coronavirus pandemic,

as further easing could threaten financial market stability.

Gold price hits \$2,000 for first time on Covid-19 and inflation fears. The 32% rally this year has made gold one of the world's best-performing assets, reflecting concerns among investors over the sustained number of coronavirus cases, particularly in the US, and the impact of trillions of dollars of stimulus from governments and central banks around the world.

Microsoft aiming to buy TikTok's entire global business. The President of the United States has given US companies 45 days to stop dealing with ByteDance, the Chinese owner of TikTok, and WeChat, the messaging app owned by Tencent, over what he said was a threat to US national security. Meanwhile, Microsoft, which previously intended only to buy TikTok's operations in the United States, is now seeking an agreement for all of TikTok's global operations, including India and Europe.

Nintendo earnings grow more than sixfold during pandemic. Nintendo announced a 541% surge in earnings during the darkest months of the Covid-19 pandemic, with net profits reaching \$1bn despite a worldwide shortage of its Switch consoles. The Kyoto-based company also reported a surge in sales of 108% over the second quarter.

Berkshire Hathaway profits surge despite near \$10bn writedown. Net income in the second quarter at Warren's Buffet conglomerate rises by 87% on the previous year. In the second quarter of last year, Berkshire earned \$14.2 bn. On Saturday, Berkshire said it earned \$26.4 billion in the second quarter, a turnaround from a \$49.7 billion loss in the first quarter. The gain was caused by a market rally that lifted the shares of Apple, which Berkshire owns 43% of.

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