

NIC

— Nova Investment Club —

Market Update

September 7th – September 18th 2020



Market Update

Bi-Weekly Market Review

September 7th to September 18th, 2020

In Focus September

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	3,319	-0.64%	6.55%	10.40%
DJIA	27,657	-0.03%	6.05%	1.88%
Nasdaq	10,793	-0.56%	8.55%	31.99%
MSCI World	2,926	1.23%	6.49%	0.16%
MSCI EM	4,002	1.46%	10.39%	7.02%
Russell 2000	1,537	2.64%	7.69%	-2.01%
Euro Stoxx 50	3,284	-0.97%	1.04%	-6.93%
FTSE 100	6,007	-0.42%	-3.49%	-17.87%
Nikkei 225	23,360	-0.20%	4.49%	6.37%
Hang Seng	24,455	-0.20%	-0.04%	-8.59%
Dollar Index	92.98	-0.37%	-4.55%	-5.66%
EUR/USD	1.184	-0.03%	5.69%	7.37%
GBP/USD	1.091	0.94%	-1.62%	-3.54%
GBP/EUR	1.292	0.98%	4.01%	3.61%
USD/JPY	104.6	-1.49%	-2.23%	-3.57%
USD/CHF	0.911	0.25%	-4.23%	-8.64%
Brent Crude	43.00	7.96%	3.59%	-32.39%
Gold	1,949	0.49%	13.00%	29.16%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	0.7%	3.0	-1.3	-110.1
GER 10Y Yield	-0.5%	-0.4	-7.8	2.5
JPY 10Y Yield	0.0%	-1.2	-0.4	19.7
UK 10Y Yield	0.2%	0.1	-4.5	-46.0
PT 10Y Yield	0.3%	-2.9	-19.3	6.0

*Source: Bloomberg, as of 2020-09-18

Upcoming Week

Next week will see the release of US, UK, EU and Germany's Purchasing Manager's Index (PMI) for the month of September. The PMI is an indicator of the performance of the manufacturing and services sectors and has registered a continuous growth since its plunge in April for these regions.

Bank of Spain releases data on long-lasting economic consequences of the pandemic.

The Bank of Spain has stated that the country's output will be up to 6% below pre-pandemic level. On Wednesday, the central bank emphasising the impact of the initial coronavirus outbreak as well as the effect of the resurgence of infection rates in more recent weeks. Additionally, the bank presented two different forecasts, depending on how the pandemic develops highlighting the high levels of uncertainty regarding the potential outcome.

Asia's developing economies will report the first contraction since 1960.

According to the Asian Development Bank, the fall would be the sharpest since 1961, a year when regional growth shrank 8%. Apart from the current risk of a second wave of infections, 'worsening geopolitical tensions are another risk'. India, being the country with the highest number of coronavirus cases after the US is forecast to have a fall in GDP of 9% this year. However, it is predicted that in 2021, the economies would revive, growing on average y 6.8%.

Jay Powell to keep interest rates near zero until inflation rate rises to its 2% target.

On Wednesday, the Fed made a bold move while claiming to keep interest rates unchanged until inflation is on track to 'moderately exceed' the Fed's 2% inflation target for the foreseeable future. This monetary policy shift, which was first announced last month, is aimed to offset years of week inflation and allow the economy to get the employment rate to the point it was pre-pandemic levels. Powell noted that the ongoing recovery is expected to be slow, requiring extended assistance from the Fed and from additional government spending.

China's renminbi climbed to its highest level in 16 months.

The currency strengthened as retail sales' data showed positive changes for the first time in 2020. China's currency has hiked in recent months due to the export growth and investor appetite for onshore debt which have sent flows of dollars into the country. On Friday, the

onshore-traded renminbi stabilized, taking the currency's gains to about 1.2% this week and putting it on course for its greatest weekly rally since November last year.

Rebound in oil prices after a stop in production.

Sally was the last hurricane out of three that has conflicted with oil production, having shut down, in the Gulf of Mexico, 27% of crude oil production and put 28% of natural gas on hold. Royal Dutch Shell, Chevron and BP were just a fraction of the companies that were forced to close its facilities. Two days after the incident, crude oil surged 5% and there was no permanent damage. However, this rebound in oil prices aligned with the difficulties in production may shift the concern from demand to supply.

Big week for TikTok and its deal with the U.S.

In the beginning of the week, it was announced that Oracle and ByteDance had submitted a proposal for Oracle to acquire a minority stake in the Chinese app, which has now been give Trump's 'blessing'. In this proposal, it was included that TikTok would seek to list publicly in the US. On Friday, the U.S. commerce department announced TikTok would be removed from US app stores from midnight on Sunday, banishment which has now been postponed until September 27.

Softbank agrees to sell Arm Holdings to Nvidia for \$40bn.

Four years ago, Softbank paid \$32bn for Arm Holdings in what became the company's biggest acquisition thus far. After incurring losses with Uber and WeWork, they stroke a \$40bn deal to sell it, containing a \$33.5bn payment for the company, an optional \$5bn payment based on performance goals and a \$1.5bn stock issuance for its employees. Furthermore, \$21.5bn will be paid in common stock and \$12bn in cash, coinciding Softbank as one of Nvidia's biggest shareholders, with 6,7% ownership.

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