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— Nova Investment Club —

Market Update

August 24th – September 4th 2020



Market Update

Bi-Weekly Market Review

August 24th to September 4th, 2020

In Focus September

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	3,427	-2.31%	9.49%	16.65%
DJIA	28,133	-1.82%	7.04%	6.75%
Nasdaq	11,313	-3.27%	17.65%	41.82%
MSCI World	2,400	-2.33%	8.16%	11.62%
MSCI EM	1,100	-1.97%	11.20%	10.99%
Russell 2000	1,535	-2.73%	5.73%	1.77%
Euro Stoxx 50	3,261	-1.69%	-1.66%	-5.51%
FTSE 100	5,799	-2.76%	-8.55%	-20.68%
Nikkei 225	23,205	1.41%	2.25%	12.38%
Hang Seng	24,695	-2.86%	1.35%	-6.89%
Dollar Index	92.72	0.38%	-4.10%	-5.82%
EUR/USD	1.184	-0.50%	4.41%	7.30%
GBP/USD	1.122	0.09%	0.99%	1.08%
GBP/USD	1.328	-0.52%	5.40%	8.41%
USD/JPY	106.24	0.85%	-2.66%	-0.14%
USD/CHF	0.914	1.11%	-4.39%	-6.83%
Brent Crude	42.66	-5.28%	6.68%	-33.90%
Gold	1934.3	-2.06%	11.98%	27.63%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	0.72%	-0.8	-9.9	-73.8
GER 10Y Yield	-0.48%	88.5	91.0	115.3
JPY 10Y Yield	0.04%	-2.0	0.3	32.0
UK 10Y Yield	0.27%	-4.7	-4.1	-22.7
PT 10Y Yield	0.37%	-3.0	-15.0	21.0

*Source: Bloomberg, as of 2020-09-04

Upcoming Week

Consumer Price Index (CPI) for August will be released next Friday and is expected to come at 0.6%, a relatively high value, boosted by the Fed's recent moves.

The French government has put in motion a €100bn recovery plan for the central European country. This government's spending plan counts with an equivalent of 4% of the French GDP, a record when it comes to the relative budget size of recovery plans in Europe. There are €30bn destined to the ambitious "ecological transition" of the country, through hydrogen energy. It is forecasted that France's real GDP will depreciate 10% in 2020.

India bans 118 Chinese apps, as border tensions rise. Major gaming titles from companies including Tencent and NetEase, as well as apps from technology giants like Baidu and Alibaba backed, Ant Group were said to be "hostile to national security". Lately, tensions between these two countries have flared up over the disputed Himalayan mountain border.

An all-time high in corporate bond issuance for 2020 has been hit in the US. With the Coronavirus pandemic, american enterprises are incurring heavily in debt, already with \$1.919tn accumulated. This historic phenomenon has also been supported by the Fed's intervention, the entity bought corporate bonds for the first time, changing investors' perspectives over the biggest debt market in the world.

A great advance for Europe's green bond markets with the "safe borrower" Germany in the forefront. The market for this fixed-income product designed to raise funding for the environmental projects has been exponentially growing for 10 years around the globe and the German Treasury just entered this market for the first time, raising €33bn of bids for up to €6bn of 10-year debt and suggesting a new Eurozone benchmark for the green risk-free assets.

US tech stocks' rally continues and has already broken 16-year records. This year the Nasdaq 100 grew a substantial 42% against the S&P 500 with 11%. The behaviour of the first index is explained by its great exposure to the American tech giants, as Alphabet, Amazon, Apple and Microsoft and Facebook, while although the S&P 500 has these companies in common with the Nasdaq 100, it is more diversified between the various US industries. Many traders have already expressed their concerns over this extremely volatile environment in the American technology market.

It was reported that Japan's SoftBank bought billions of dollars worth of stock options in big tech last month. Investors have recently been watching extraordinary activity in the stock market, especially in the Nasdaq. Part of this trading frenzy was due to this "Nasdaq Whale" driving up volumes in companies such as Apple, Amazon, Microsoft, Facebook and Google.

Microsoft keeps its \$10 billion JEDI cloud contract representing a loss for Amazon. The JEDI, or Joint Enterprise Defense Infrastructure, contract has become one of the most desirable contracts for the Department of Defense, being one of its goals to modernize Pentagon's colossal IT infrastructure. This deal can be valued at over \$10bn, for services provided over up to 10 years.

Goldman joins the list of investment banks working on Ant Group's IPO. Ant Group, an affiliate of the e-commerce giant Alibaba Group plans to list in Hong Kong and Shanghai for up to \$30bn, and as soon as October, if Ant completes the offering at around \$30bn, the upper end of expectations, it can beat the oil giant Saudi Aramco's record, which raised \$29.4bn.

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