

Market Update

16th October 2020

Geo-political

Brexit – UK Prime Minister, Boris Johnson’s 15th October deadline to reach a Brexit deal came to nothing, as the UK signalled that it would continue trade talks with the EU beyond the October deadline and reach a ‘real’ deal by the start of November. Neither party has backed down over crucial issues such as fishing rights and state aid. EU leaders have once again told PM Johnson that he must make concessions if a deal is to be agreed.

US Stimulus – Hopes of any sort of US stimulus package being agreed before the presidential election in November are fading rapidly. US Treasury Secretary, Steven Mnuchin, indicated that politics had undermined negotiations, agreeing that Democrats are holding back out of fear that they would allow President Trump a pre-election win to gloat about on his campaign tour. The three parties (Democrats, Republicans and the White House) are all blaming each other for the failure to reach an agreement.

Covid-19 – The number of people testing positive for Covid-19 continued to rise across Europe, with Germany and Italy reporting record numbers of new infections. France has introduced a 9pm curfew in major cities including Paris as cases hit 30,000 a day. In the UK, a new 3 tier lockdown system was introduced, with tier 3 being the strictest, in which would see most hospitality businesses close their doors. On the vaccine front, Johnson & Johnson had to halt trials of their vaccine, as one of the participants started to suffer with an unexplained illness, while Oxford University unveiled a new test to be available in 2021 that is capable of detecting the virus in less than five minutes through artificial intelligence analysis of throat swabs.

Market Summary

Global Equities – Major global equity indices finished mostly in the red as at Thursday’s close. Equities gained at the start of the week as investors focused on US stimulus talks. Investor sentiment quickly soured however, as tighter coronavirus restrictions were introduced in the UK and Europe due to rapidly rising positive case numbers, as well as fading US stimulus hopes.

Commodities – Gold prices moved sideways versus the US dollar once again throughout the week, staying in a tight range, finishing slightly lower (-0.85%) as at Thursday’s close. Growing fears surrounding increased coronavirus restrictions, as well as vanishing hopes of any significant progress in the Brexit deal boosted demand for the safe haven asset, however, a strong US dollar offset any gains.

Oil prices (Brent Crude & WTI) fell slightly, dragged down by concerns that the rise in coronavirus cases in Europe and the United States is curbing demand in two of the world’s biggest fuel consuming regions. A stronger US dollar also put pressure on prices.

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Chart of the week



Source: Bloomberg – US election polls show similar pattern to 2016 in the run up to the November election

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- Germany CPI - US CPI	- US PPI Inflation	- China CPI	- EU Inflation

Market Performance 2020 – 16/10/2020

Global Market Indices	2020 YTD %*
FTSE 100 	-20.83%
S&P 500 	8.88%
Dax 	-3.22%
Nikkei 225 	2.99%
Hang Seng 	-11.71%
Fixed Income	Yield %
UK 10 Yr Gilt	0.18%
US 10 Yr Treasury	0.73%
Commodities	2020 YTD %
Gold	+24.86%

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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