

Market Update

23rd October 2020

Geo-political

Brexit – Just a week after UK Prime Minister, Boris Johnson, called a halt to discussions to the Brexit deal, the UK and Europe Union are due to resume intensive talks this Friday, amid growing signs an agreement may be in sight. The aim is to reach an agreement by mid-November, with EU leaders stating that Mr Johnson’s decision to walk away from discussions last week was a theatrical gesture to sell the idea of a compromise to euro-sceptics in the UK.

In other Brexit related news, the UK have signed their first major post-Brexit trade deal with Japan. The deal agreed mostly preserves terms under which the UK traded with Tokyo as part of the EU, and is expected to boost Britain’s GDP by 0.07% over the next 15 years.

Covid-19 – Across Europe, governments have started to deploy curfews as Covid-19 cases hit new record highs around the region. Germany, Italy and at least nine other nations have all experienced record infections, including France, who recently reported 40,000 cases in one day. France has expanded curfews beyond Paris, ordering around 46 million people to stay at home between 9pm and 6am. The UK also introduced a tiering system, with more and more cities slowly being introduced to the strictest tier (Tier 3) as cases and death numbers continue to rise. In more positive news, the US Food and Drug Administration have approved Gilead’s *remdesivir* antiviral drug, the first drug to receive formal clearance for treating Covid-19.

Market Summary

Global Equities – Major global equity indices finished mostly in the red as at Thursday’s close. The rapid rise of Covid-19 cases leading to increased restrictions, as well as stalling US stimulus talks dampened investor sentiment. Stocks in the US gained slightly on Tuesday after sharp losses on Monday and held their position throughout the week, as there were signs of progression in the stimulus negotiations between the Republicans and Democrats. In the UK, the FTSE 100 struggled and finished in the red due to the rally in sterling, as rhetoric around Brexit negotiations turned positive. Equities in Europe also finished weaker, with the European Central Bank officials voicing a degree of caution on the economic outlook, and falling German consumer sentiment.

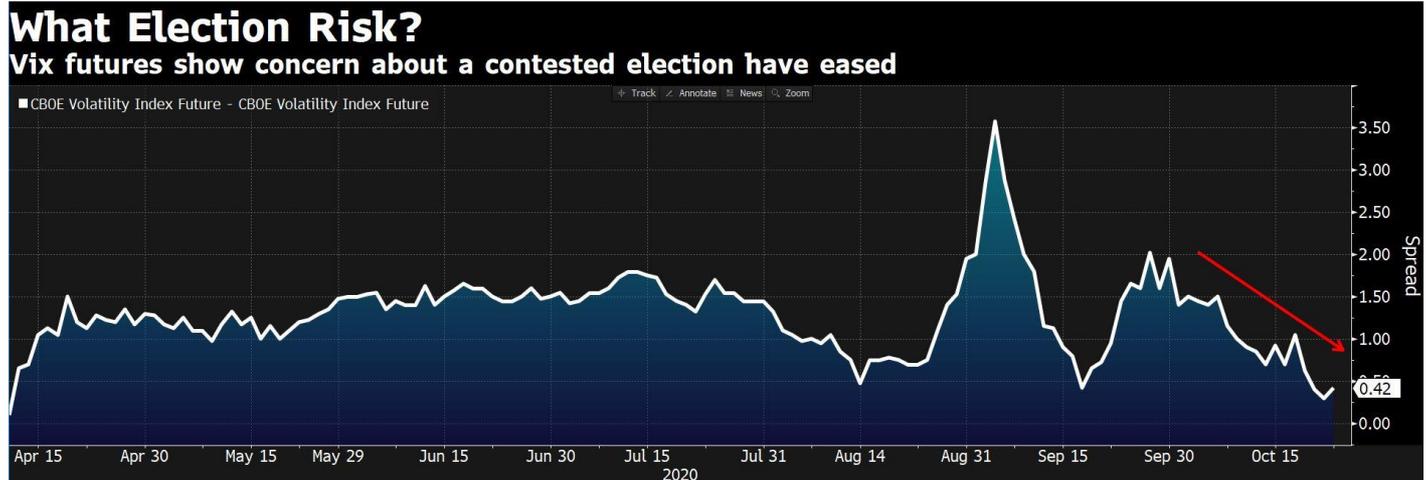
Commodities – Gold prices gained slightly versus the US dollar as at Thursday’s close. The move higher came as the positive outlook for the new US fiscal stimulus package weakened the US dollar, while driving up demand for dollar-denominated gold.

Oil prices (Brent Crude & WTI) fell slightly, as once again, inventory build ups due to rising coronavirus cases and further travel restrictions weighed on demand.

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Chart of the week



Source: Bloomberg – market volatility is easing as concerns around a contested US election lessen

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- France GDP	- US consumer confidence	- Australia CPI - Canada BoC rate	- ECB rate announcement - Germany CPI	- Japan unemployment - Germany GDP - EU Inflation

Market Performance 2020 – 23/10/2020

Global Market Indices	2020 YTD %*
FTSE 100	-21.44%
S&P 500	7.96%
Dax	-34.45%
Nikkei 225	2.85%
Hang Seng	-9.41%
Fixed Income	Yield %
UK 10 Yr Gilt	0.28%
US 10 Yr Treasury	0.85%
Commodities	2020 YTD %
Gold	+25.34%

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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