

Market Update

30th October 2020

Geo-political

Covid-19 – Both France and Germany have imposed full national lockdowns once again, as both countries struggled to control the spread of the virus. Emmanuel Macron announced that France will lockdown on Friday for a month, whereas Germany's restrictions will take effect on Monday. This week, the UK and France both suffered the highest single day death tolls since the first wave of the pandemic, prompting further action.

Pressure is now mounting on UK Prime Minister, Boris Johnson, as he fights off calls to put the UK into full lockdown as case numbers rapidly spiral out of control. The International Monetary Fund has urged the UK to continue spending to combat the steepening economic effects of the virus. The US also reported its biggest single day increase in cases, while India's case total passed 8 million.

US economy – The US economy grew in the third quarter at its fastest pace in post-war history, as gross domestic product jumped by 33.1% on an annualised basis due to the easing of lockdowns. This news gives President Trump an opportunity to tout economic recovery in his final rallies ahead of next Tuesday's presidential election. However, the figures mask the impact of the rising Covid-19 cases on the economy, while economic output remains below pre-pandemic levels.

More bad news came out of Washington this week, as the Senate broke up for the pre-election break, meaning there was no hope of any fiscal stimulus package being agreed ahead of the election. Touching briefly on the election, early voting has reached 82 million ballots, which is almost 60% of the total turnout in 2016.

Market Summary

Global Equities – Global equities suffered badly throughout the week. Surging coronavirus cases across the globe, further lockdowns, failure to reach an agreement on a US fiscal stimulus package and less than impressive US technology corporate earnings all dampened investor sentiment, leading to a substantial sell-off. Asian indices held up relatively well however, with the MSCI Asia Pacific Index only losing -0.88% at Thursday's close. It is worth noting that Asia managed to better contain the spread of coronavirus, thus allowing their economies to open back up and return to some kind of normality.

Commodities – Gold prices fell to fresh monthly lows versus the US dollar, touching \$1,860 per ounce, as coronavirus fears dominated and bolstered the haven demand.

Oil prices (Brent Crude & WTI) slumped to the lowest level since May, as new Covid-19 restrictions in Europe brought back fears that the industry could once again be decimated by the pandemic.

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Chart of the week



Source: Bloomberg – the economic rebound in the US in Q3 is not enough to boost the economy back to pre-pandemic levels

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- US Manufacturing PMI			- US FOMC Rate Announcement	- US Unemployment Rate

Market Performance 2020 – 30/10/2020

Global Market Indices	2020 YTD %*
FTSE 100	-24.19%
S&P 500	3.49%
Dax	-11.65%
Nikkei 225	2.26%
Hang Seng	-10.14%
Fixed Income	Yield %
UK 10 Yr Gilt	0.22%
US 10 Yr Treasury	0.83%
Commodities	2020 YTD %
Gold	+23.57%

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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