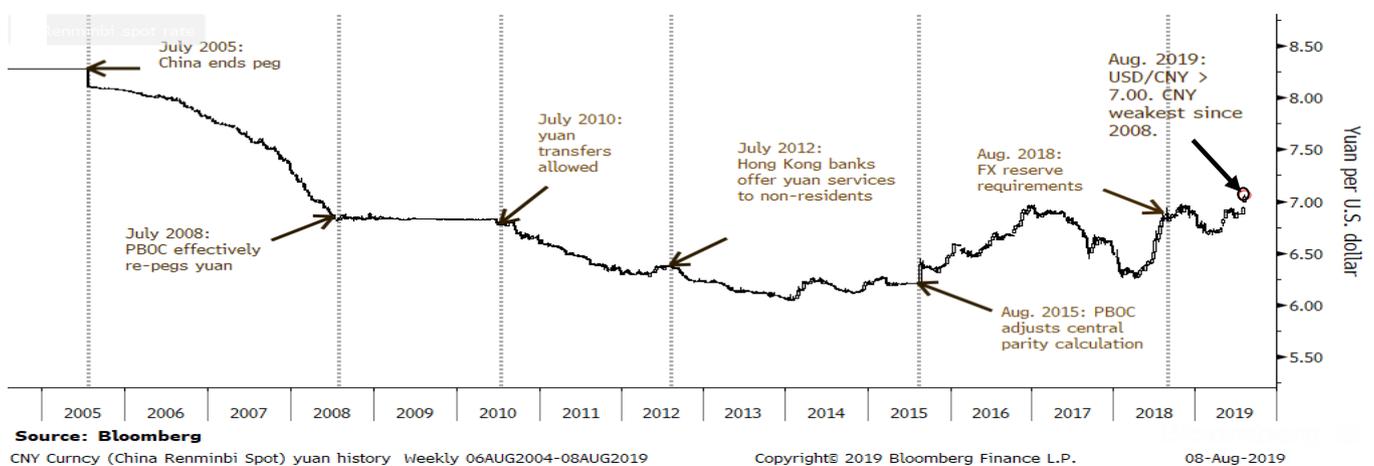


During the current week, volatility is elevated. **US-China** tensions remain in focus as US trade department is preparing a list of 3,800 Chinese imported products (\$300 bn.), which will be tariffed at 10% (from September 1). The economic adviser of US President (L. Kudlow) said that the announced tariffs may not be imposed, if China buys US agricultural products and change its negotiating stance. USD/CNY increased above 7.00 (5/8) for the first time since March 2008, as trade dispute is ongoing and as it has become unclear, whether China has recently changed its FX policy towards weakening rather than defending its currency. An index of the Chinese currency versus a basket of 24 currencies (Bloomberg) dropped this week at a historic low (91.8, introduction: 2015). US labeled China as “FX manipulator” country (5/8) and USD/CNY posted high (7/8: 7.07) since March 2008.



In the **US**, the ISM non-manufacturing index dropped in July at low (53.7) since August 2016, but remains above expansion of the sector level. **Eurozone** Sentix investor confidence dropped in August at low (-13.7) since October 2014. **German** industrial production dropped on yearly basis by 5.2% in June, the worst since November 2009. According to the press, Germany may decide to implement fiscal stimulus, in order to support its economy. German finance ministry said (8/8) that no such decision has been taken. **Italy** is probably close to early elections. **UK** GDP dropped in the second quarter by 0.2%, while on yearly basis the lowest increase (1.2%) since the first quarter of 2018 was posted. In **Japan**, the economy remained in modest expansion in the second quarter.

The week ahead:

In **Germany**, GDP (14/8) is expected to be negative (-0.10%) on quarterly basis in the second quarter, showing contraction versus 0.4% expansion in the first quarter. In **Eurozone**, GDP (14/8) has probably risen by 0.2% on quarterly basis in the second quarter (first quarter: 0.2%). **US** inflation (13/8) may have risen by 1.7% in July (June: 1.6%). Retail sales (15/8) have probably increased on monthly basis in July by the least (0.2%) since February. Companies reporting quarterly results: Cisco and Samsung (14/8), Alibaba, Walmart and Gazprom (15/8).

Global markets are oscillating between pessimism due to weakening economy figures and optimism that low yields will continue to support risky assets, such as stocks. In the bond market, US 10-2year government yield spread dropped to a low (8/8: 0.1%) since 2007 and German 10-2year yield spread dropped to a low (0.27%) since 2008. Taking into account that main economies exhibit weakening growth, but no recession, the developments in the bond market may be overly pessimistic. On the other hand, the uncertainty around US-China tensions may have not been fully yet reflected in the stock market, which despite the recent profit-taking, exhibits double-digit year to date returns. **In an environment of contradictory signals, quite elevated uncertainty and “low-for-long” yields, it remains prudent to have a modest balanced investment mix (including main stock, bond markets, alternative strategies funds and some cash) with appropriate time-horizon.**

Quote of the Week:

US finance ministry characterized China as a currency manipulator (5/8), saying that: “China has taken concrete steps to devalue its currency, while maintaining substantial foreign exchange reserves. US finance minister will engage with the IMF to eliminate the unfair competitive advantage created by China’s latest actions”.

Global Markets in Charts

The monthly change of the MSCI emerging markets stock index is negatively correlated with the monthly change of USD/CNY. The weakening of the Chinese currency (increase of USD/CNY) is consistent with the recent weakness of the emerging index.

**36-month rolling correlation
(MSCI Emerging markets index \$ versus USDCNY monthly change %)**



The 36-month correlation of the monthly change of the MSCI Emerging markets index versus the monthly change of USD/CNY is close to -0.7. The rising USD versus the Chinese currency, reinforces the worries that the weakening yuan will trigger capital outflows from China, risking destabilization of its economy, with global implications. The emerging markets currency index dropped at low (7/8) since December 2018 and the MSCI Emerging markets stock index posted low (6/8: 961) since January. Support for the emerging stock index is at 930 (30/10/18 low), while resistance is at 1,025 (200d average) and at 1,100 (2019 highest: 17/4).

The status of Gold as “non-yielding” asset and “safe-heaven” is driving its price higher, in an environment of low yields and elevated uncertainty.



The price of Gold increased at a high (7/8: \$1,510.5/ounce) since April 2013. Resistance is at \$1,590/ounce (Fibonacci retracement 61.8%: \$1,921.1-\$1,046.4) and at \$1,617/ounce (21/3/13 high). Support is at \$1,430-40/ounce (2/8/19 low and 21 days average) and at \$1,400/ounce (1/8/19 low). Despite its “safe-heaven” status, it should be noted that the last one-year daily returns standard deviation of gold is not low (11%), meaning that it carries considerable market risk. Its one-year return has been rewarding (24%).

Source: Bloomberg

Global Markets Minesweeper
Event Risk Calendar, 12 - 16 August, 2019

Monday 12/8						
Date Time	Country	Event	Period	Survey	Prior	
12/8 21:00	US	Monthly Budget Statement	Jul	-\$123.0b	-\$8.5b	
		Japan Markets closed (Mountain Day)				
Tuesday 13/8						
Date Time	Country	Event	Period	Survey	Prior	
13/8 02:50	JN	PPI YoY	Jul	-0.50%	-0.10%	
13/8 09:00	GE	CPI YoY	Jul F	1.70%	1.70%	
13/8 09:00	JN	Machine Tool Orders YoY	Jul P		-37.90%	
13/8 11:30	UK	Jobless Claims Change	Jul		38.0k	
13/8 11:30	UK	Weekly Earnings ex Bonus 3M/YoY	Jun	3.80%	3.60%	
13/8 11:30	UK	ILO Unemployment Rate 3Mths	Jun	3.80%	3.80%	
13/8 12:00	GE	ZEW Survey Current Situation	Aug	-5.00	-1.10	
13/8 12:00	GE	ZEW Survey Expectations	Aug	-27.00	-24.50	
13/8 12:00	EC	ZEW Survey Expectations	Aug		-20.30	
13/8 15:30	US	CPI YoY	Jul	1.70%	1.60%	
13/8 15:30	US	CPI Ex Food and Energy YoY	Jul	2.10%	2.10%	
Eco Event	US	New York Fed releases its Q2 Household Debt and Credit Report				
Corp. Results	GE	Henkel AG				
Wednesday 14/8						
Date Time	Country	Event	Period	Survey	Prior	
14/8 02:50	JN	Core Machine Orders YoY	Jun	-1.10%	-3.70%	
14/8 05:00	CH	Industrial Production YoY	Jul	6.00%	6.30%	
14/8 05:00	CH	Retail Sales YoY	Jul	8.60%	9.80%	
14/8 09:00	GE	GDP SA QoQ	2Q P	-0.10%	0.40%	
14/8 09:00	GE	GDP WDA YoY	2Q P	0.10%	0.70%	
14/8 11:30	UK	CPI YoY	Jul	1.90%	2.00%	
14/8 11:30	UK	CPI Core YoY	Jul	1.80%	1.80%	
14/8 11:30	UK	PPI Output NSA YoY	Jul	1.70%	1.60%	
14/8 11:30	UK	House Price Index YoY	Jun		1.20%	
14/8 12:00	EC	Industrial Production WDA YoY	Jun	-1.30%	-0.50%	
14/8 12:00	EC	Employment QoQ	2Q P		0.30%	
14/8 12:00	EC	Employment YoY	2Q P		1.30%	
14/8 12:00	EC	GDP SA QoQ	2Q P	0.20%	0.20%	
14/8 12:00	EC	GDP SA YoY	2Q P	1.10%	1.10%	

Corp. Results		US: Cisco Systems, CH: Tencent Holdings, SK: Samsung Electronics				
Thursday 15/8						
Date Time	Country	Event	Period	Survey	Prior	
15/8 04:30	CH	New Home Prices MoM	Jul		0.66%	
15/8 07:30	JN	Industrial Production MoM	Jun F		-3.60%	
15/8 11:30	UK	Retail Sales Inc Auto Fuel MoM	Jul	-0.20%	1.00%	🌩️
15/8 11:30	UK	Retail Sales Inc Auto Fuel YoY	Jul	2.50%	3.80%	
15/8 15:30	US	Empire Manufacturing	Aug	2.0	4.3	
15/8 15:30	US	Philadelphia Fed Business Outlook	Aug	10	21.8	
15/8 15:30	US	Retail Sales Advance MoM	Jul	0.20%	0.40%	🌩️
15/8 15:30	US	Initial Jobless Claims	10-Aug		209k	
15/8 16:15	US	Industrial Production MoM	Jul	0.30%	0.00%	
15/8 17:00	US	NAHB Housing Market Index	Aug	66	65	
15/8 23:00	US	Net Long-term TIC Flows	Jun		\$3.5b	
Corp. Results		US: Walmart, Nvidia, CH: Alibaba Group, RU: Gazprom				
Friday 16/8						
Date Time	Country	Event	Period	Survey	Prior	
16/8 12:00	EC	Trade Balance SA	Jun		20.2b	
16/8 15:30	US	Housing Starts MoM	Jul	0.60%	-0.90%	🌩️
16/8 15:30	US	Building Permits MoM	Jul	3.10%	-5.20%	🌩️
16/8 17:00	US	U. of Mich. Sentiment	Aug P	97.1	98.4	🌩️
Eco Event		OPEC issues its monthly oil market report				

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