

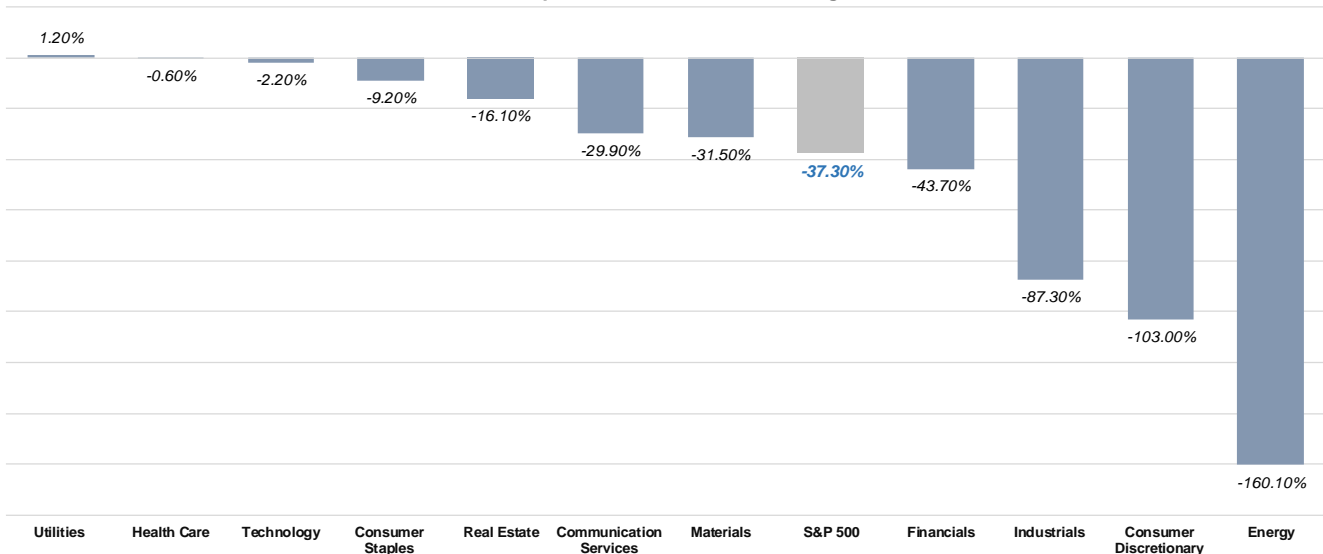
Global Markets Minesweeper

July 31, 2020

Global Markets Analysis
 INVESTMENT PORTFOLIOS
 MANAGEMENT DIVISION

Global markets were into consolidation mode during the week, as the positive impact from monetary and fiscal easing have faded somewhat due to US – China relation worries and the continues increasing coronavirus cases swiping across the sunbelt. Overall bias remains to the upside on expectations for an effective vaccine until the end of the year. US Senate Republicans unveiled a new \$1 trillion coronavirus stimulus package. The proposed plan extends the extra jobless benefits at lower rate from \$600 to \$200 per week, provides \$1,200 payments to individual with annual income of \$75,000 or less, and shield businesses, schools and other organizations from lawsuits stemming from coronavirus infections. Although, Senate Democrats oppose the bill, an agreement is expected in the next couple weeks before Congress recess for the month of August. The Fed at its meeting on July 29 kept monetary policy unchanged without offering new announcements. The Fed Chairman (J. Powell) noted that increase in virus cases and the renewed measures to control it, are starting to weigh on economic activity. Powell also affirmed that there will be a need for more fiscal policy, stating that negotiating a new fiscal package is good thing.

Approximately 55% companies of S&P 500 have reported earnings for the second quarter of 2020 so far, 82% have surpassed expectations. Earnings have surprised to the upside by 15%. The sectors that suffered the most from the coronavirus lockdown are Energy, Consumer Discretionary and Industrials. While industries such as Utilities, Healthcare and Technology show resilience.

Q2 2020 Reported and Estimated Earnings Growth


Source: IBES Refinitiv, as of 30 July

US second quarter GDP declined by 32.9%, which was the highest contraction since quarterly data started in 1947. Low government bond yields in accordance with weak dollar affect positively the gold price. Spot gold hit new historic high (\$1,983.36/oz) on July 31. The expectation that the Eurozone economy will recover at stronger pace compared to US led the EUR/USD at a high (31/7: \$1.1909) since May 2018.

The week ahead:

US ISM Manufacturing index (3/8) has probably increased in July, while Non-Manufacturing index (5/8) may have fallen somewhat. July employment data (7/8) may show payrolls grew for a third month in a row. In Eurozone, retail sales (5/8) may have shown in June strong monthly increase for a second consecutive month. The Bank of England (6/8) will probably keep its monetary unchanged. US companies announcing results include: Berkshire Hathaway (3/8), Walt Disney (4/8), Bristol-Myers Squibb and T-Mobile (6/8). European companies announcing results next week include: HSBC Holdings, Societe Generale (3/8), Bayer (4/8), Merck and Siemens (6/8).

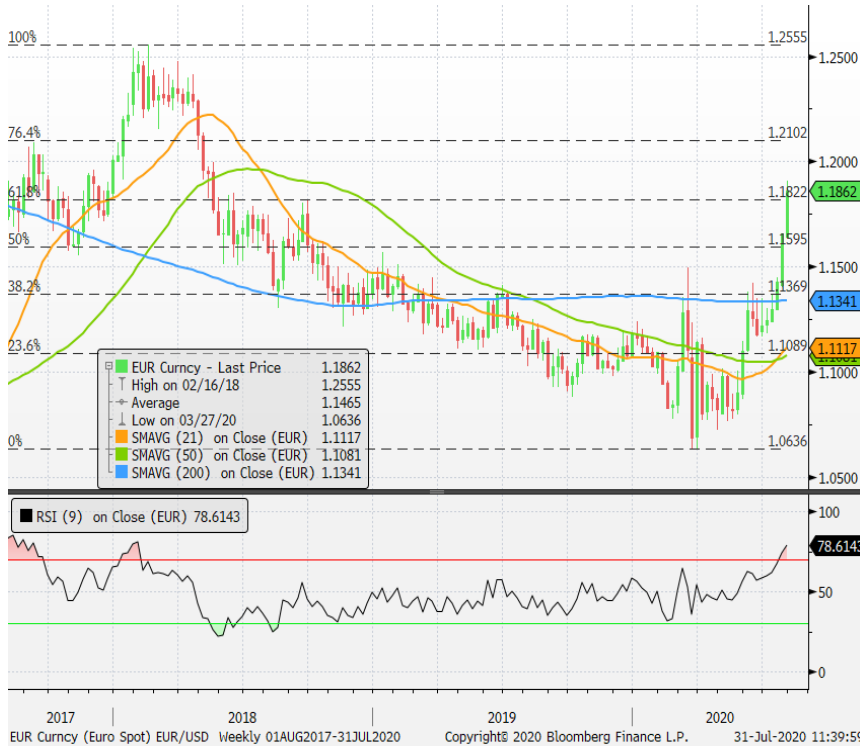
Some profit taking may resurface during next week, following strong returns in July. However, demand for equities will remain in place, as risk premium is still attractive compared to other investments.

Quote of the Week:

Fed Chairman (J. Powell) said (29/7): “There will be a need both for more support from the Fed and for more fiscal policy”.

Global Markets in Charts

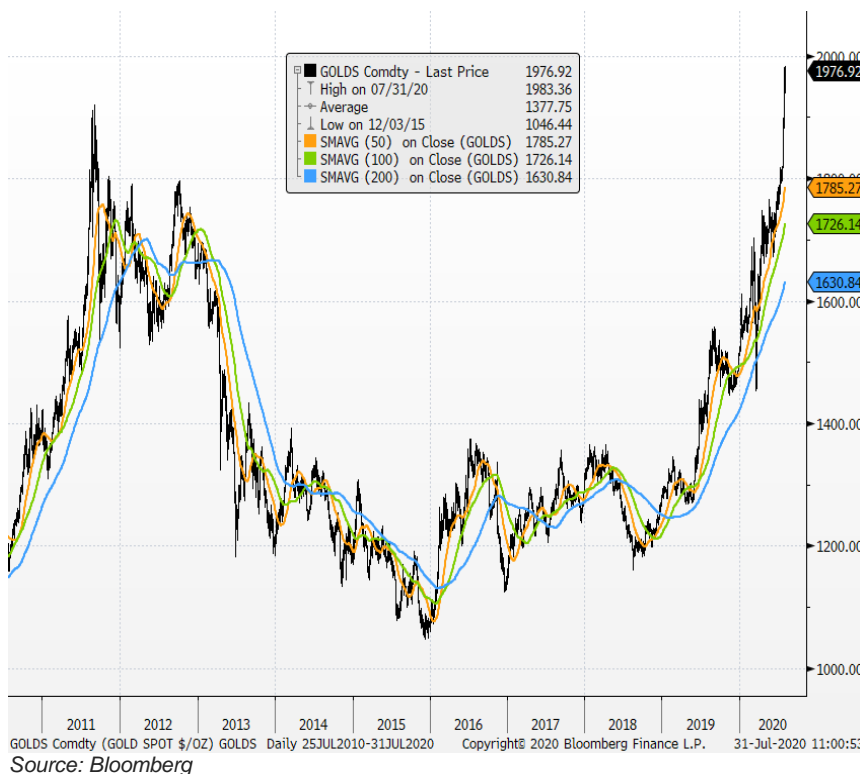
EUR/USD remains in upwards trend, hitting a 2-year high (31/7: \$1.1909). In the short and medium term, the pair is approaching overbought conditions.



EUR/USD reached a 2-year high (\$1.1909) on 31st July. Technical analysis indicators (RSI 9-Week: 78.6, RSI 9-day: 85), suggesting overbought conditions. Resistance is placed at \$1.2000 (14/5/2018 high), at the area of \$1.2100 (76.4% Fibonacci retracement: \$1.2555 – \$1.0636) and at \$1.2555 (16/2/18 high). Support at the area of \$1.1500 and at \$1.1300 (55-day average).

USD interest rate attractiveness compared to other currencies have decreased substantially as the Fed is expected to retain its aggressive monetary policy for a long period. The optimism about Eurozone economy after the agreement for European Recovery Fund affects upwards the EUR. The EUR/USD is expected to show high volatility in months ahead mainly due to US elections. Some bias to EUR may persist as far as the pandemic is contained.

In the current week gold price recorded a new historic high (31/7: \$1.983,36/ounce), retaining its strong upward trend of the last three months.



Gold price has outperformed over all other investment categories, as it has risen by 30% year to date. Historic low government bond yields, escalation of US – China relations, uncertainty causing by the ongoing pandemic crisis and the retreat of US dollar to 2-year lows have pushed gold to historic high.

Although most of these factors that support the upward trend of gold, will probably remain in the economic front for at least until the end of the year, the probability of profit taking in the short-term cannot be excluded. Support is at \$1,720-30/ounce area (19/6/20 low) and at \$1,670/ounce (5/6/20 low).

July 31, 2020

Global Markets Minesweeper
Event Risk Calendar, 3 - 7 August 2020

Monday 03/08							
Date Time	Country	Event	Period	Survey	Prior		
3/8 02:50	JN	GDP SA (QoQ)	1Q F	-0.7%	-0.6%	🌩️	
3/8 02:50	JN	GDP Annualized SA (QoQ)	1Q F	-2.8%	-2.2%		
3/8 03:30	JN	Jibun Bank Japan PMI Mfg	Jul F		42.6	🌩️	
3/8 04:45	CH	Caixin China PMI Mfg	Jul	51.1	51.2	🌩️	
3/8 10:55	GE	Markit/BME Germany Manufacturing PMI	Jul F	50.0	50.0		
3/8 11:00	EC	Markit Eurozone Manufacturing PMI	Jul F	51.1	51.1	🌩️	
3/8 11:30	UK	Markit UK PMI Manufacturing SA	Jul F	53.6	53.6	🌩️	
3/8 16:45	US	Markit US Manufacturing PMI	Jul F	51.3	51.3		
3/8 17:00	US	ISM Manufacturing	Jul	53.6	52.6	🌩️	
3/8 17:00	US	ISM New Orders	Jul	55.2	56.4		
Eco Event	US	Chicago Fed President C. Evans holds a conference call discuss the economy (21:00)					
Corp. Results		US: Berkshire Hathaway, UK: HSBC, GE: Siemens					
Tuesday 04/08							
Date Time	Country	Event	Period	Survey	Prior		
4/8 02:30	JN	Tokyo CPI (YoY)	Jul	0.3%	0.3%		
4/8 02:30	JN	Tokyo CPI Ex-Fresh Food (YoY)	Jul	0.2%	0.2%		
4/8 12:00	EC	PPI (MoM)	Jun		-0.6%		
4/8 17:00	US	Factory Orders (MoM)	Jun	5.0%	8.0%		
4/8 17:00	US	Durable Goods Orders (MoM)	Jun F		7.3%	🌩️	
4/8 17:00	US	Durables Ex Transportation (MoM)	Jun F		3.3%		
Corp. Results		US: Walt Disney, Fidelity, JP: Sony, UK: Diageo, BP, GE: Bayer					
Wednesday 05/08							
Date Time	Country	Event	Period	Survey	Prior		
5/8 03:30	JN	Jibun Bank Japan PMI Services	Jul F		45.2		
5/8 03:30	JN	Jibun Bank Japan PMI Composite	Jul F		43.9		
5/8 04:45	CH	Caixin China PMI Services	Jul	57.9	58.4	🌩️	
5/8 10:55	GE	Markit Germany Services PMI	Jul F	56.7	56.7		
5/8 10:55	GE	Markit/BME Germany Composite PMI	Jul F	55.5	55.5		
5/8 11:00	EC	Markit Eurozone Services PMI	Jul F	55.1	55.1	🌩️	
5/8 11:00	EC	Markit Eurozone Composite PMI	Jul F	54.8	54.8		
5/8 11:30	UK	Markit/CIPS UK Services PMI	Jul F	56.6	56.6	🌩️	
5/8 11:30	UK	Markit/CIPS UK Composite PMI	Jul F	57.1	57.1		
5/8 12:00	EC	Retail Sales (MoM)	Jun	6.8%	17.8%	🌩️	

July 31, 2020

5/8 15:15	US	ADP Employment Change	Jul	1200k	2369k	🌟
5/8 15:30	US	Trade Balance	Jun	-\$50.3b	-\$54.6b	🌟
5/8 17:00	US	ISM Non-Manufacturing Index	Jul	55.0	57.1	🌟
Corp. Results		US: CVS, Fiserv, GE: Allianz, JP: Softbank				
Thursday 06/08						
Date Time	Country	Event	Period	Survey	Prior	🌟
6/8 09:00	GE	Factory Orders (MoM)	Jun	12.0%	10.4%	
6/8 11:00	IT	Industrial Production (MoM)	Jun	9.5%	42.1%	
6/8 11:30	UK	Markit/CIPS UK Construction PMI	Jul	57.0	55.3	
6/8 14:00	UK	Bank of England Bank Rate	6-Aug	0.10%	0.10%	🌟
6/8 15:30	US	Initial Jobless Claims	1-Aug		1434k	
Eco Event	US	Dallas Fed President Robert Kaplan discusses the U.S. economy (17:00)				
Corp. Results		US: Bristol-Myers, T-Mobile, JP: Toyota, GE: Adidas, IT: UniCredit				
Friday 07/08						
Date Time	Country	Event	Period	Survey	Prior	🌟
7/8	CH	Trade Balance	Jul	\$42.50b	\$46.42b	
7/8 08:00	JN	Leading Index CI	Jun P	84.8	78.4	
7/8 09:00	GE	Industrial Production WDA (YoY)	Jun	-10.8%	-19.3%	
7/8 15:30	US	Change in Nonfarm Payrolls	Jul	1635k	4800k	🌟
7/8 15:30	US	Unemployment Rate	Jul	10.5%	11.1%	🌟
7/8 15:30	US	Average Hourly Earnings (YoY)	Jul	4.2%	5.0%	
7/8 22:00	US	Consumer Credit	Jun	\$10.000b	-\$18.280b	
Corp. Results		HK: Semiconductor Manufacturing, JP: Japan Post Bank, CH: China Tower Corp				

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