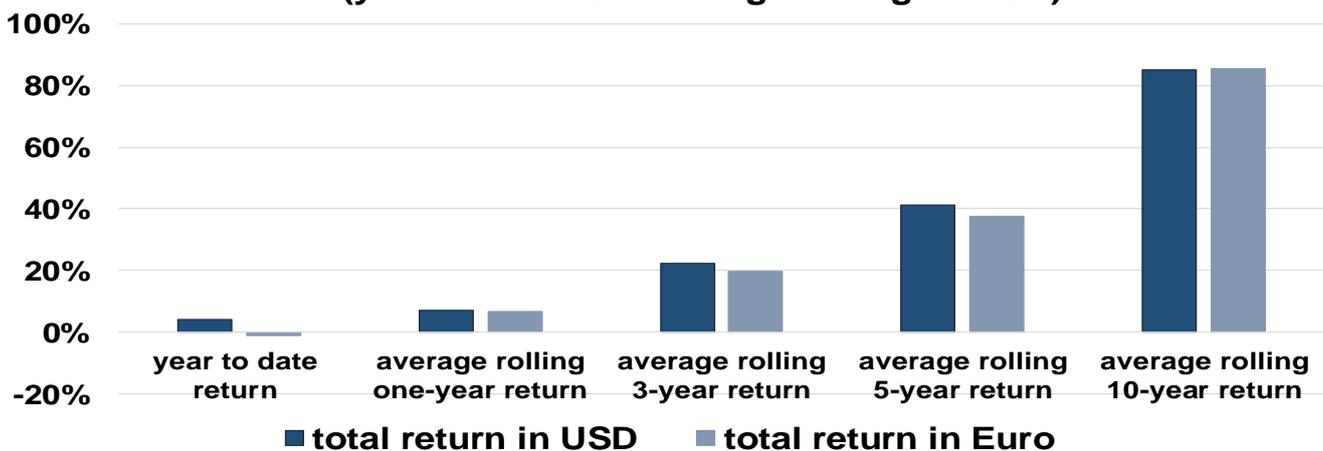


In this week, US macroeconomic figures have been in focus. ISM manufacturing index increased at the highest level (56) since November 2018, while the ISM services index declined modestly (56.9, July: 58.1, historic average: 54.6). According to the latest update of Atlanta Fed estimate (3/9), US GDP is rising on annualised quarterly basis by 29.5% in the third quarter, suggesting strong recovery, after the recession in the first half of the year. Monetary easing has supported market sentiment. The vice-Chairman of the Fed R. Clarida said that the Federal Reserve will discuss about forward guidance of monetary policy and added that it is not excluded that the Central Bank may include ceilings in the level of the yield curve (“yield curve control”), as part of its monetary easing. According to the press, US federal government has told the states to prepare for a coronavirus vaccine to be ready for initial distribution by November 1.

The MSCI all countries world equity index has risen at a historic high close (2/9: 594) on September 2, as the S&P 500 index has recently posted consecutive historic highs (latest intraday historic high on 2/9: 3,588.1). The total return of the all countries world index in 2020 is 4.1% in USD terms (3/9), while in euro terms is at -1.2%. The rise of the Euro versus the USD has recently lowered the total return of the index translated from USD into Euros. However, the rolling one-year, three-year, five-year and ten-year total returns of the world index in USD have been on-average, close to the respective returns in Euro terms.

### Total return of global index\* in USD, Euro (year to date and average rolling returns)



Source: Bloomberg. \* weekly figures used. Index: MSCI all countries world.

While fluctuations of EUR/USD may not be key for equity investors with global exposure and mid-term perspective, it may considerably affect bond investors, taking into account that yields are at relatively low level (bond returns may be modest in the future), which implies that fx hedging may be needed for euro based investors holding non-euro bond investment positions. The price of gold is at \$1,940/ounce and appears in range trading for some weeks, at the area between \$1,860/ounce (12/8/20 low) and \$2,075/ounce (7/8/20 high).

#### The week ahead:

In the **Eurozone**, the ECB (10/9) may highlight that additional monetary easing measures will be decided, if needed. The final reading of Eurozone GDP for the second quarter is expected on September 8. In the **US**, headline inflation (11/9) may have increased in August at 1.2% from 1.0% in July, while the core inflation is expected stable in August at 1.6%. In **China**, exports for August will be announced next week (7/9).

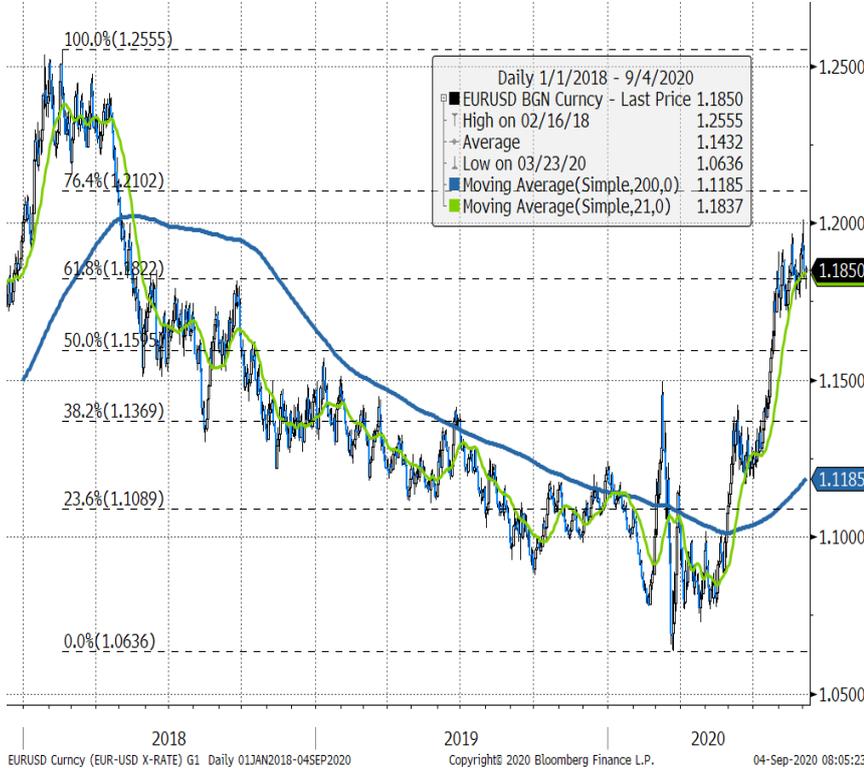
During this week, the main economic figures have indicated quite strong expansion in the third quarter. Momentum of main equity indices, most prominently in the US equity market, has been maintained until the start of this week, while a pull-back was evident yesterday (3/9). The focus is at US employment figures for August expected today (4/9) and at the ECB meeting next Thursday (10/9).

#### Quote of the Week:

The Chief economist of the ECB P. Lane said (1/9): “ECB does not target the FX rate, but euro-dollar matters for monetary policy”.

Global Markets in Charts

EUR/USD initially increased this week at a high (1/9: \$1.2111) since May 2018, while after the speech of ECB's economist P. Lane (late 1/9), it turned lower (3/9: \$1.1789).

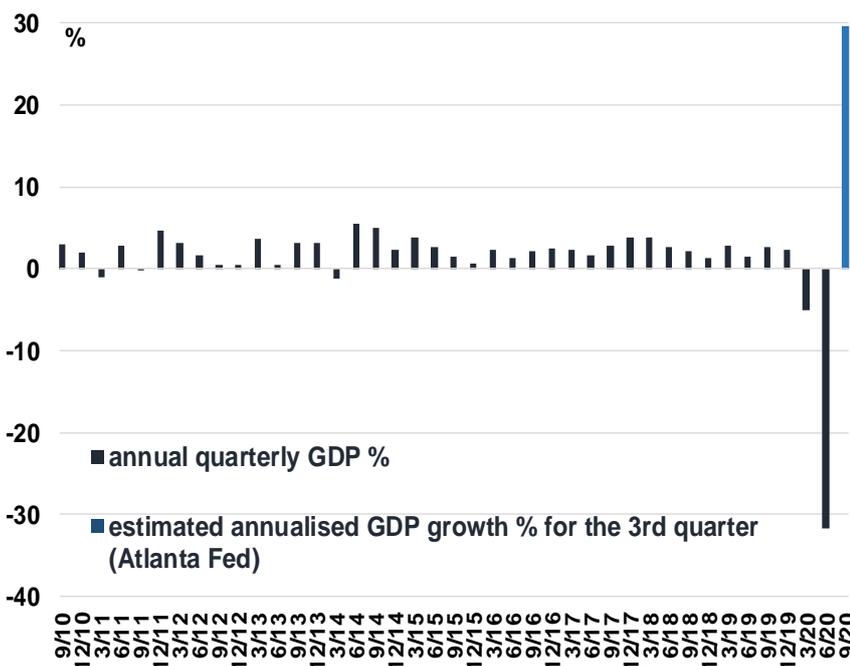


The risk-on market sentiment of the previous months has supported the increase of the euro at a high (1/9: \$1.2111) since May 2018 (end 2019 level: \$1.1213). US 2-year government bond yield minus German 2-year yield has recently declined at the same spread (31/8: 0.78%) as in mid-June 2020, which had been the lowest in five years. This decline in the short-term yield spread of the USD versus the Euro, has contributed to the EUR/USD increase.

Following the recent speeches of ECB member, mostly the speech by the chief economist P. Lane (1/9), EUR/USD corrected to the area of \$1.1790 (3/9). The focus will be at the meeting of the ECB on September 10. The ECB may mention that additional stimulus can be decided, if needed. Overall, EUR/USD may trade in the range of \$1.1700-\$1.2100 in the short-term, while a clearer direction may be evident after the ECB meeting (10/9).

US economy is growing strongly in the third quarter, after the recession of the first half of the year.

US: annualised quarterly GDP %



Source: Bloomberg

In the US, according to the Atlanta Fed (3/9), GDP is estimated to increase by 29.5% on annualised quarterly basis in the third quarter. The economic recovery is strong, after the first half of severe recession. It is probable that at some point, additional fiscal easing will be decided. There is disagreement in Congress, but the talks between the two political parties continue.

US unemployment, which will be announced today (4/9), may have declined for 4<sup>th</sup> consecutive month in August, but still at a level (9.8%, July: 10.2%) much above the historic average (1948-2020: 5.8%). It is noted that during the recovery from 2008-2009 recession, the unemployment gradually declined from October 2009 peak (10%), but almost five years passed, in order to drop at the historic average (late 2014). The slow path towards lower unemployment will justify continued monetary easing by the Federal Reserve for long period.

**Global Markets Minesweeper**
**Event Risk Calendar, September 7 - 11, 2020**

Monday 7/9						
Date Time	Country	Event	Period	Survey	Prior	
7/9	CH	Exports (YoY)	Aug	7.50%	7.20%	
7/9	CH	Imports (YoY)	Aug	0.20%	-1.40%	
7/9	CH	Trade Balance	Aug	\$49.70b	\$62.33b	
7/9	CH	Foreign Reserves	Aug	\$3170.50b	\$3154.4b	
7/9 02:50	JN	Official Reserve Assets	Aug	--	\$1402.5b	
7/9 09:00	GE	Industrial Production SA (MoM)	Jul	4.50%	8.90%	
7/9 09:00	GE	Industrial Production WDA (YoY)	Jul	-6.30%	-11.70%	
7/9 11:30	EC	Sentix Investor Confidence	Sep	-12	-13.4	
US Markets Closed (Labor Day)						
<b>Eco Event</b>	UK	Brexit negotiating round begins between the U.K. and EU in London				
	UK	Bank of England policy maker Jonathan Haskel speaks				
Tuesday 8/9						
Date Time	Country	Event	Period	Survey	Prior	
8/9 02:01	UK	BRC Sales Like-For-Like (YoY)	Aug		4.30%	
8/9 02:30	JN	Real Cash Earnings (YoY)	Jul	-1.80%	-2.10%	
8/9 02:30	JN	Household Spending (YoY)	Jul	-3.70%	-1.20%	
8/9 02:50	JN	GDP SA (QoQ)	2Q F	-8.10%	-7.80%	
8/9 02:50	JN	GDP Annualized SA (QoQ)	2Q F	-28.50%	-27.80%	
8/9 02:50	JN	Trade Balance BoP Basis	Jul	¥172.2b	-¥77.3b	
8/9 08:00	JN	Eco Watchers Survey Outlook SA	Aug	39	36	
8/9 09:00	GE	Trade Balance (Euro)	Jul	15.0b	15.5b	
8/9 09:00	GE	Current Account Balance (Euro)	Jul		22.4b	
8/9 12:00	EC	GDP SA (QoQ)	2Q F	-12.10%	-12.10%	
8/9 12:00	EC	GDP SA (YoY)	2Q F	-15.00%	-15.00%	
8/9 13:00	US	NFIB Small Business Optimism	Aug	98.9	98.8	
8/9 22:00	US	Consumer Credit	Jul	\$12.800b	\$8.948b	
Wednesday 9/9						
Date Time	Country	Event	Period	Survey	Prior	
9/9 02:50	JN	Money Stock M3 (YoY)	Aug	6.70%	6.50%	
9/9 04:30	CH	PPI (YoY)	Aug	-1.90%	-2.40%	
9/9 04:30	CH	CPI (YoY)	Aug	2.40%	2.70%	
9/9 09:00	JN	Machine Tool Orders (YoY)	Aug P	--	-31.10%	
<b>Eco Event</b>	US	U.S. China Economic and Security Review Commission holds online hearing				

Thursday 10/9						
Date Time	Country	Event	Period	Survey	Prior	
10/9 02:01	UK	RICS House Price Balance	Aug	20%	12%	
10/9 09:45	FR	Industrial Production (MoM)	Jul	5.10%	12.70%	
10/9 14:45	EC	ECB Main Refinancing Rate	10-Sep	0.00%	0.00%	
10/9 15:30	US	PPI Final Demand (YoY)	Aug	-0.40%	-0.40%	
10/9 15:30	US	PPI Ex Food and Energy (YoY)	Aug	0.20%	0.30%	
10/9 15:30	US	Initial Jobless Claims	5-Sep		881k	
<b>Eco Event</b>	EC	ECB President Christine Lagarde holds press conference (15:30)				
<b>Corp. Results</b>	US	Oracle Corp				
Friday 11/9						
Date Time	Country	Event	Period	Survey	Prior	
11/9 02:50	JN	PPI (YoY)	Aug	-0.50%	-0.90%	
11/9 02:50	JN	BSI Large All Industry (QoQ)	3Q		-47.6	
11/9 09:00	UK	Monthly GDP (MoM)	Jul	5.70%	8.70%	
11/9 09:00	UK	Industrial Production (YoY)	Jul	-8.70%	-12.50%	
11/9 09:00	UK	Trade Balance GBP/Mn	Jul	£3100m	£5336m	
11/9 09:00	GE	CPI (YoY)	Aug F	0%	0.0%	
11/9 15:30	US	CPI (YoY)	Aug	1.20%	1.00%	
11/9 15:30	US	CPI Ex Food and Energy (YoY)	Aug	1.60%	1.60%	
11/9 15:30	US	Real Avg Hourly Earning (YoY)	Aug		3.70%	
11/9 21:00	US	Monthly Budget Statement	Aug		-\$63.0b	
<b>Eco Event</b>	GE	The ECB's Jens Weidmann speaks at Bundesbank (11:00)				
	EC	ECB Chief Economist Philip Lane participates in panel discussion (15:00)				

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