

# Current Update

August 2020



## Market Commentary

Shares were broadly higher in August amid hopes for a Covid-19 vaccine, signs of continued economic recovery and ongoing policy support measures. Government bond yields rose (meaning prices fell).

US equities – as represented by the S&P 500 – reached a new peak. The IT sector was again a notable contributor to the market's overall gains in August. Sectors exposed to an improving economic cycle, such as industrials and consumer discretionary, also rose. Utilities and real estate were weaker areas, as were energy stocks. The Federal Reserve confirmed its readiness to offer further support, while increasing its flexibility to do so by adjusting how it targets inflation.

Eurozone shares rose. Top performing sectors included economically-sensitive areas like industrials and consumer discretionary. There were concerns about rising Covid-19 infections in some countries, notably Spain.

UK equities rose over the period as risk appetite recovered generally due to the improving global growth outlook. Signs there could be a solid recovery in the UK economy over Q3 2020 were also supportive of small and mid-cap (SMID) equities. As a result, the market recouped some of its losses from July when fears around a second wave of Covid-19 infections had dominated sentiment.

Japanese shares gained too. Late in the month, Shinzo Abe announced his resignation as prime minister just after he recorded the longest term of any Japanese prime minister. His popularity has declined recently due to his handling of Japan's response to the pandemic.

Emerging market (EM) equities recorded a positive return as hopes for a Covid-19 vaccine increased, and as the Fed's new monetary policy strategy suggested that interest rates could remain low for longer. The MSCI Emerging Markets Index increased in value but underperformed the MSCI World Index

Investor sentiment and risk appetite remained strong in August. Government bond yields rose (bond prices and yields move inversely of each other) and the US dollar continued to decline, while corporate and emerging market bonds performed well.

In commodities, precious metal prices rose with US dollar weakness providing a strong tailwind.

## 10 Key Events to Watch:

UK		Previous	Forecast
Friday, Sep 11, 2020	GDP (YoY)	-1.7%	-21.7
Friday, Sep 11, 2020	Manufacturing Production (MoM) (Jun)	11.0%	5.0%
Tuesday, Sep 15, 2020	Unemployment Rate (Jul)	3.9%	4.2%
Wednesday, Sep 16, 2020	CPI (YoY)	1.0%	0.6%
Friday, Aug 21, 2020	Retail Sales (MoM) (Jul)	13.9%	-
GLOBAL			
Thursday, Aug 13, 2020	China Industrial Production (YoY) (Jul)	4.8%	4.7%
Sunday, Aug 16, 2020	Japan GDP (QoQ) (Q2)	-0.6%	-7.6%
Wednesday, Aug 19, 2020	Euro CPI (YoY) (Jul)	0.4%	0.3%
Tuesday, Aug 25, 2020	Germany GDP (QoQ) (Q2)	-10.1%	-2.2%
Thursday, Aug 27, 2020	USA GDP (QoQ) (Q2)	-32.9%	-4.8%

## Key Recent Announcements

### US ISM MANUFACTURING PMI (Jul):

Survey results shows up trend to 54.2 in Jul 2020 from 52.6 as compared to previous month, against market expectations of 53.6

### UK MANUFACTURING PMI (Jul):

Manufacturing PMI stood at 53.3 as compared to 50.1 from the previous month.

### UK INFLATION RATE YoY (JUL):-

The rate of inflation across the UK stood at 1.0 percent in July 2020, compared to 0.6 percent the previous market expectations of 0.6 percent.

### US GDP (QOQ) (Q2):

The US GDP stood at -31.7 percent in Q2 as compared to -5.0 percent from the previous quarter.

UK	31-Aug-20	31-Dec-19
FTSE 100	5,963	7,542
FTSE 100 % Change	-21.93%	
BoE Interest Rate	0.10%	0.75%
CPI	1.00%	1.50%
Govt, 10YR Yield	0.32%	0.83%
FTSE 350	3,376	4,249

Currency	31-Aug-20	31-Dec-19
GBP/USD	1.33	1.32
GBP/EURO	1.12	1.18

Commodity (\$)	31-Aug-20	31-Dec-19
Gold	1,978	1,518
Silver	28.59	18.00
Brent Crude Oil	45.28	66.03

Govt 10YR Bond	31-Aug-20	31-Dec-19
US	0.71	1.92
Japan (JGB)	0.05	-0.02
Germany (Bund)	-0.39	-0.18

Global Markets	31-Aug-20	31-Dec-19
Dow Jones	28,430	28,538
Dax	12,945	13,249
CAC	4,947	5,978
Nikkei 225	23,139	23,656
Shanghai	3,395	3,050
Sensex	38,628	41,253
Nifty 50	11,073	12,168

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