

Current Update

October 2020



Market Commentary

Global equities broadly declined in October. The main uncertainties were the US presidential election and rising Covid-19 cases in many countries. The return to lockdowns in many European countries including the UK was the main focus for investors but the virus continued to rise in the US. Benchmark interest rates rose slightly affecting government bonds which underperformed corporate debt.

US equities declined in October, primarily due to the continued rise in Covid-19 cases in many states. Market optimism over additional fiscal stimulus also waxed and waned, contributing to stock market movements. From an economic perspective, data continued to indicate industrial activity was expanding in both the manufacturing and service sectors. Initial jobless claims also reached their lowest number since March.

October saw shares fall in the eurozone as several countries reintroduced lockdowns to try and contain rising Covid-19 infection rates. France introduced a strict new national lockdown while partial lockdowns were announced in several other countries including Germany and Belgium.

UK equities fell over the month amid renewed fears of a pick-up in Covid-19 cases. Policy-makers in Wales and Northern Ireland used devolved powers to implement new countrywide lockdowns, while Scotland introduced a tiered system. At the very end of the month, the UK government abandoned its own tiered system in favour of uniform restrictions across England, to run initially for four weeks from 5 November until 2 December.

Japanese shares declined, largely due to the renewed uncertainty affecting other global regions. Japan's success in containing the virus saw it announce measures to encourage consumer spending in restaurants.

Emerging market equities gained due to expectations of additional fiscal stimulus in the US. The prospect of more stable trade relations with the US under a potential Biden presidency also proved beneficial.

Fixed income indices were volatile in October, with mixed performance from bonds. Corporate bonds held up well overall. Concerns around Covid-19 were heightened. A resurgence of cases in Europe resulted in renewed lockdowns in Germany and France toward month-end and case numbers remained elevated in the US.

Commodities registered a negative return. Energy was the weakest component with crude oil falling sharply on concerns over weaker demand related to the coronavirus.

10 Key Events to Watch:

UK		Previous	Forecast
Tuesday, Nov 10, 2020	Unemployment Rate (Sep)	4.5%	4.3%
Wednesday, Nov 11, 2020	GDP (QoQ) (Q3)	-19.8%	-20.5%
Wednesday, Nov 11, 2020	Manufacturing Production (MoM)	0.7%	-
Wednesday, Nov 18, 2020	CPI (YoY) (Oct)	0.5%	0.5%
Friday, Nov 20, 2020	Retail Sales (MoM) (Oct)	1.5%	0.4%
GLOBAL			
Sunday, Nov 15, 2020	Japan GDP (QoQ) (Q3)	-7.9%	-7.6%
Wednesday, Nov 18, 2020	Euro CPI (YoY) (Oct)	-0.3%	-0.3%
Tuesday, Nov 24, 2020	Germany GDP (QoQ) (Q3)	8.2%	-10.1%
Wednesday, Nov 25, 2020	USA GDP (QoQ) (Q3)	33.1%	-32.5%
Sunday, Nov 29, 2020	China Manufacturing PMI	51.4	-

Key Recent Announcements

US ISM MANUFACTURING PMI (Sep):

Survey results shows down trend to 55.4 in Sep 2020 from 56.0 as compared to previous month, against market expectations of 56.4.

UK MANUFACTURING PMI (Sep):

Manufacturing PMI stood at 54.1 as compared to 55.2 from the previous month.

UK INFLATION RATE YoY (AUG):-

The rate of inflation across the UK stood at 0.50 percent in Sep 2020, compared to 0.2 percent the previous market expectations of 0.5 percent.

US GDP (QOQ) (Q3):

The US GDP stood at 33.1 percent in Q3 as compared to -31.4% percent from the previous quarter.

UK	31-Oct-20	31-Dec-19
FTSE 100	5,577	7,542
FTSE 100 % Change	-26.05%	
BoE Interest Rate	0.10%	0.75%
CPI	0.50%	1.50%
Govt, 10YR Yield	0.26%	0.83%
FTSE 350	3,176	4,249

Currency	31-Oct-20	31-Dec-19
GBP/USD	1.30	1.32
GBP/EURO	1.11	1.18

Commodity (\$)	31-Oct-20	31-Dec-19
Gold	1,879	1,518
Silver	23.65	18.00
Brent Crude Oil	37.46	66.03

Govt 10YR Bond	31-Oct-20	31-Dec-19
US	0.83	1.92
Japan (JGB)	0.03	-0.02
Germany (Bund)	-0.62	-0.18

Global Markets	31-Oct-20	31-Dec-19
Dow Jones	26,501	28,538
Dax	11,556	13,249
CAC	4,594	5,978
Nikkei 225	22,977	23,656
Shanghai	3,224	3,050
Sensex	39,614	41,253
Nifty 50	11,642	12,168

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