



Your Gateway To The World

WEEKLY MARKET SUMMARY



Equity Markets



Bond Markets



Currencies



Commodities

2 August 2020



US

S&P500 +1.73% (3,271.12); NASDAQ +3.69% (10,745.27); DJIA -0.16% (26,428.32)

This week's reports:

- **Q2 2020 GDP Annualized** (prelim.) fell 32.9%, better than the expected 34.1% contraction, versus Q1's -5%. Q2's economic decline was the biggest single-quarter decline in GDP since 1947, when the government began tracking the figure using modern methods. Consumption spending was the single biggest factor in the drop as the economy was in lockdown and unemployment surged. The US GDP plunged 9.5% y/y in the second quarter versus Q1's +0.3% y/y. Quarter-on-quarter, Q2's fall was also 9.5%. Economists expect the third quarter to show growth, though the summer rise in infections is likely to temper gains. The Conference Board expects the US economy to shrink 7% in 2020.
- **June's Personal Income** fell 1.1% from May's -4.4%. **Personal Spending** rose 5.6% from May's +8.5%.
- **July's Michigan Consumer Sentiment Index** fell to 72.5 from June's 73.2.
- **July's CB Consumer Confidence Index** dropped to a reading of 92.6 from June's 98.3 amid a flare-up in Covid-19 infections across the country. Economists had forecast the fall to 94.5.
- **May's S&P/Case-Shiller Home Price Indices** rose 3.7% y/y versus April's +3.9%.
- **June's Pending Home Sales** rose 16.6% from May's surge of +44.3%.
- **July's Chicago PMI** jumped to 51.9, more than the expected reading of 43.9, from June's 36.6.
- **June's Durable Goods Orders** rose 7.3% from May's +15.1%. **Durable Goods Orders ex Transportation** rose 3.3% from May's +3.7%.
- **July's Dallas Fed Manufacturing Business Index** rose to -3 from June's reading of -6.1.
- **July's Richmond Fed Manufacturing Index** jumped to 10 from June's reading of 0.
- **June's Wholesale Inventories** (prelim.) fell 2% from May's -1.2%.
- **Initial Jobless Claims** for the week ending July 25th rose by 12K to 1.434M, versus the expected increase to 1.450K. **Continuing Jobless Claims** for the week ending July 18th rose by 867K to 17.018M, versus the expectations of 16.2M continuing claims.
- S&P 500 and Nasdaq Composite rose, capping off a week of swings as investors parsed Federal Reserve Chairman Jerome Powell's comments, a slate of mixed corporate earnings and grim economic data showing the economy contracted at a record rate last quarter. Dow Jones Industrial Average closed the week with a small loss after weak earnings at Chevron, Caterpillar and others limited the index's rise.
- Stocks rose Friday as a slate of technology giants buoyed the main indexes and offset disappointing earnings from some industrials and weak economic data. Apple, Facebook and Amazon were among the biggest winners, surging on the back of strong earnings.
- The S&P 500 closed out July with a 5.5% gain for the month for its fourth straight positive month and its best July since 2010. The DJIA and the Nasdaq have also risen for four straight months.
- Fitch Ratings cut its US credit outlook from "stable" to "negative" on COVID-19 and election uncertainty. Fitch said it maintains the AAA rating on the US, as it is supported by structural strengths that include the size of the economy, high per capita income and a dynamic business environment. Fitch considers US debt tolerance to be higher than that of other AAA sovereigns.



Canada

S&P/TSX Composite +1.08% (16,169.21)

- Canada's stocks fell on Friday, paring previous gains, on weakness in energy, created by uncertainty over increased cases of the coronavirus.
- However, S&P/TSX Composite Index advanced for the week, led by a jump in the shares of Shopify, which accounted for more than half of the TSX gain. Powered by an increase in new customers moving their businesses online, the e-commerce company reported second quarter results that crushed analysts' expectations and made technology the top-performing sector of the index.

→ **May's GDP** rose 4.5% m/m from May's -11.7% m/m.

Europe

EUROSTOXX50	-4.12%	(3,174.32)
DJSTOXX600	-2.98%	(356.33)
DAX30	-4.09%	(12,313.36)
CAC40	-3.49%	(4,783.69)
FTSE100	-3.69%	(5,897.76)

- European shares fell for a second week on concerns about an economic recovery due to a resurgence in coronavirus infections, US-China tensions, and mostly disappointing company earnings, especially at banks. A surging euro has added to downward pressure on earnings. The Stoxx Europe 600 Index was down about 1% in July and has lost more than 14% YTD.
- The European Central Bank extended its recommendation to Eurozone banks not to pay dividends and cancel buybacks until January 2021. It also allowed the banks to breach their liquidity and capital buffers to cope with the impact from the coronavirus. The ECB urged banks to exercise "extreme moderation" on bonuses.
- **Q2 2020 GDP** (prelim.) plunged 15% y/y, the worst reading since records began in 1995, versus Q1's -3.1% y/y. Quarter-on-quarter, the Eurozone economy contracted 12.1% from Q1's fall of 3.6% q/q. German GDP fell by 10.1% q/q; Italy's sank by 12.4% q/q; France's fell by 13.8% q/q; and Spain's shrank by 18.5% q/q. The Eurozone's gross domestic product fell 40.3% on an annual basis, far exceeding the 32.9% contraction in the US economy over the same period. The European Central Bank forecast in June a drop of 8.7% in GDP for the Euro area in 2020. Europe's economy is dependent on exports and tourism, neither of which will recover fully until the virus is under control around the world.

→ **July's CPI** (prelim.) rose 0.4% y/y versus June's +0.3% y/y.

→ **June's Unemployment Rate** rose to 7.8% from May's 7.7%.

→ **July's Consumer Confidence Index** declined to -15 from June's -14.7. **Economic Confidence Indicator** rose to 82.3 from June's 75.8.



UK

- London stocks finished the week well into the red, as weak Eurozone growth figures and weak profits at EU and UK firms offset stellar earnings from the US technology sector earlier. UK stocks have also been held back to some degree by a stronger pound.
- **July's Nationwide Housing Prices** rose 1.7% from June's -1.6%.

Japan

NIKKEI -4.58% (21,710.00)

- Japan's stocks recorded their worst weekly market return since April with investor sentiment chilled by weak economic data and a host of disappointing business results from Japanese companies during the ongoing earnings reporting season.
 - The Nikkei 225 fell 8.2% for the year-to-date period; the large-cap TOPIX Index also posted steep losses as uncertainty is re-emerging over the global economic outlook amid a resurgence of the coronavirus in and outside Japan.
- **May's All Industry Activity Index** fell 3.5% from April's -7.6%.
- **May's Leading Economic Index** rose to 78.4 from April's 77.7.
- **June's Industrial Production** (prelim.) rose 2.7%, more than the expected +1.2%, from May's decline of 8.9%.
- **July's Consumer Confidence Index** rose to 29.5 from June's 28.4; the index was expected to rise to 32.7.
- **June's Retail Trade** jumped 13.1% from May's +2.1%.

Australia & New Zealand

S&P/ASX200 -1.60% (5,927.78)

NZX 50 +0.79% (11,727.63)

- **Australia's Q2 CPI** fell 0.3% y/y versus Q1's +2.2% y/y.
- **New Zealand's July ANZ Consumer Confidence Index** fell to 104.3 from June's 104.5.
- **New Zealand's July ANZ Business Confidence Index** fell to -31.8 from June's -29.8.



Emerging Markets

MSCI EM	+1.74%	(1,078.92)
MSCI Asia Pacific	-0.47%	(152.73)
Shanghai Composite (China)	+3.54%	(3,310.01)
HANG SENG Index	-0.45%	(24,595.35)
India BSE SENSEX Index	-1.37%	(37,606.89)
EM Eastern Europe	-1.71%	(146.32)
Russia's IMOEX	+1.69%	(2,911.57)
MSCI EM Latin America (USD)	+0.33%	(2,066.82)
Brazil BOVESPA Index	+0.52%	(102,912.20)

- Emerging market stocks rose almost 9% in July, compared with a 4.8% gain in developed markets and 5.5% for the US. EM stocks also surged 7% in June, more than twice as fast as DM equities. The longest streak of gains since April 2019 added \$1.8 trillion to EM market value.
 - Investors concerned about US equity valuations after a rally led by technology stocks and mixed corporate-performance updates in Europe are gradually shifting to emerging markets, which offer an average 36% valuation discount. EM equities are also lifted as analysts raised earning estimates for emerging-market companies by the fastest pace since January 2018.
 - Firmer valuations and rising earnings estimates suggest confidence is returning as investors bet on a weaker dollar, economic recovery led by China and capital inflows spurred by a global wave of liquidity.
 - Still, all the risks that unnerved investors earlier this year, remain in place. The coronavirus is spreading so fast in emerging markets that the 26-nation group now accounts for half of all infections globally. A recessionary wave is taking hold among smaller emerging economies, while growth remains patchy in Asia.
- **China's July NBS Manufacturing PMI** (official) rose to 51.1 from June's 50.9. **Non-Manufacturing PMI** (official) fell to 54.2 from June's 54.4.



US

2-yr USTs closed down 4bps to 0.11%. 10-yr USTs closed down 6bps to 0.53%.

- Treasury yields fell, with short-maturity rates reaching record lows and the 10-year yield ending close to its all-time lows, as investors reacted to dismal US GDP data and after the Congress failed to agree on the next coronavirus stimulus deal. The continued fall in yields is reflecting investors' readiness to pay up for safe assets as a surge in coronavirus cases threatened the country's nascent economic recovery.
- The rise in Treasuries prices took their real yields below -1%, a level only touched during the early part of March's market turmoil, when investors rushed for haven assets.
- Rising coronavirus cases and deaths in parts of the US, together with economic indicators suggesting a faltering recovery, have fueled expectations that the Fed will keep rates anchored near zero in the years ahead. Traders are now betting that the Fed will not lift interest rates until at least 2023, according to futures markets.

Canada

2-yr GCAD closed down 1bps to 0.27%. 10-yr GCAD closed down 3bps to 0.47%.

Europe

2-yr Bunds closed down 6bps to -0.71%. 10-yr Bunds closed down 8bps to -0.52%.

- Germany's benchmark 10-year Bund is set for its best month since April, as investors flocked to the safe-haven debt, pushing the yield below -0.5%. Safe-haven bonds are likely to remain supported given the rise in coronavirus cases around the world, raising fears of new lockdowns.

UK

2-yr Gilts closed up 2bps to -0.07%. 10-yr Gilts closed down 4bps to 0.10%.

Japan

2-yr bonds closed up 1bps to -0.12%. 10-yr bonds closed unch. at 0.02%.



CURRENCIES



Currencies	31/07/2020	Weekly %	MTD %	YTD %
USDILS	3.4040	-0.28%	-1.75%	-1.42%
EURILS	4.0110	0.97%	3.02%	3.55%
GBPILS	4.4542	2.03%	3.70%	-2.77%
CHFILS	3.7255	0.51%	1.89%	4.37%
JPYILS	3.2149	0.00%	0.18%	1.13%
AUDILS	2.4310	0.36%	1.66%	0.28%
CADILS	2.5374	-0.22%	-0.55%	-4.57%
EURUSD	1.1778	1.05%	4.84%	5.04%
GBPUSD	1.3085	2.27%	5.52%	-1.30%
USDJPY	105.8300	-0.29%	-1.95%	-2.56%
AUDUSD	0.7143	0.53%	3.48%	1.74%
CHFUSD	1.0949	0.79%	3.72%	5.96%
CADUSD	0.7456	0.01%	1.22%	-3.14%
NZDUSD	0.6629	-0.18%	2.71%	-1.65%

- The US dollar rose against a basket of currencies on Friday as investors covered shorts and took profits after the biggest monthly decline in the currency in a decade. Still, the USD fell for the week on epidemiological, economic and political risks.
- The greenback has been sliding since its last peak in March as the coronavirus pandemic is forcing the Federal Reserve to keep rates near zero, slicing much of the gap between rates in the US and other nations and limiting investor returns from holding the currency.
- The euro surged in July, little moved by data showing the Eurozone economy recorded its deepest contraction on record, as traders warmed to the common currency on the dollar's weakness and optimism regarding the EU economic recovery fund.
- The dollar's drop this month has created space for a rebound in currencies hit hard in March, when investors rushed for the safety of the greenback as panic over the coronavirus gripped markets. Emerging market currencies had their best month since the start of 2020, aided by a sliding dollar and surging global liquidity, but lifted also by a rise in Chinese economic activity which helped riskier bets.



Energy & Metals

WTI Crude Oil for September closed -2.47% to US\$40.27

- Crude oil prices fell for the week on dismal GDP reports in the US and Europe and worries about further demand for energy as the economic recovery remains hindered by the renewed wave of the COVID-19 infections. Oil prices were also pushed down as the OPEC+ prepared to roll back some of the production cuts and add 1.5 million barrels per day of oil to the global oil market starting August 1.
- Still, crude prices rose in July, their third monthly increase, boosted by a steadily weakening dollar and OPEC's restraint on production. Oil was also helped by a significant drop in crude oil production and inventories in the US.

Gold for September closed +3.44% to US\$1,968.00

- Gold prices rose on Friday to hit a new all-time high, as a sliding dollar and dire economic numbers from the US and Europe sparked a rush to safety in bullion. It was gold's best month since February 2016, and its fifth straight positive month.
- Safe-haven gold has gained nearly 30% so far this year, propelled by low interest rates globally and widespread stimulus from central banks adding to support for the metal.

Copper for September closed -0.85% to US\$286.80

- Copper prices dropped for the week as worries about the economy prevailed over news on dwindling stockpiles.

ETF MONEY FLOWS (WTD)



HYG US Equity	ISHARES IBOXX HIGH YLD CORP	1,158,254,025	
AGG US Equity	ISHARES CORE U.S. AGGREGATE	1,144,656,022	
GLD US Equity	SPDR GOLD SHARES	926,609,702	
IAU US Equity	ISHARES GOLD TRUST	777,225,052	
BND US Equity	VANGUARD TOTAL BOND MARKET	615,044,993	
JNK US Equity	SPDR BBG BARC HIGH YIELD BND	525,932,129	
TIP US Equity	ISHARES TIPS BOND ETF	487,902,002	
IGSB US Equity	ISHARES SHORT-TERM CORPORATE	450,300,996	
VTI US Equity	VANGUARD TOTAL STOCK MKT ETF	448,229,679	
BNDX US Equity	VANGUARD TOTAL INTL BOND ETF	444,613,520	
SPY US Equity	SPDR S&P 500 ETF TRUST	(5,085,615,852)	
IWM US Equity	ISHARES RUSSELL 2000 ETF	(1,768,872,009)	
IEF US Equity	ISHARES 7-10 YEAR TREASURY B	(1,594,519,058)	
SPTI US Equity	SPDR PORTFOLIO INTERMEDIATE	(1,523,418,906)	
IWF US Equity	ISHARES RUSSELL 1000 GROWTH	(657,765,508)	
XLF US Equity	FINANCIAL SELECT SECTOR SPDR	(488,028,322)	
QQQ US Equity	INVESCO QQQ TRUST SERIES 1	(447,533,265)	
LQD US Equity	ISHARES IBOXX INVESTMENT GRA	(386,310,011)	
SHY US Equity	ISHARES 1-3 YEAR TREASURY BO	(337,592,001)	
XLK US Equity	TECHNOLOGY SELECT SECT SPDR	(314,105,584)	

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