



Your Gateway To The World

WEEKLY MARKET SUMMARY



Equity Markets



Bond Markets



Currencies



Commodities

16 August 2020



US

S&P500 +0.64% (3,372.85); NASDAQ +0.08% (11,019.30); DJIA +1.81% (27,931.02)

This week's reports:

- **August's Michigan Consumer Sentiment Index** (prelim.) rose to 72.8 from July's 72.5. It was expected to decline to 72.
 - **July's CPI** rose 1% y/y versus June's +0.6% y/y, more than the expected increase of 0.8% y/y. Month-on-month, inflation was unchanged from June's +0.6%. **CPI ex Food & Energy (Core)** rose 1.6% y/y versus June's +1.2% y/y and versus the expectations of 1.1% increase. Month-on-month core inflation was 0.6% versus June's +0.2%.
 - **July's Retail Sales** rose 1.2% from June's +8.4%, less than the expected 1.9% increase. **Retail Sales ex Autos** rose 1.9% from June's +8.3%, more than the expected 1.3% increase.
 - **July's NFIB Small Business Optimism Index** fell to 98.8 from June's 100.6.
 - **July's Producer Price Index** fell 0.4% y/y versus June's -0.8% y/y. **Core PPI** rose 0.3% y/y versus June's +0.1% y/y.
 - **July's Industrial Production** rose 3% from June's +5.7%. **Capacity Utilization** jumped to 70.6% from June's 68.5%.
 - **Q2 2020 Non-Farm Productivity** (prelim.) surged 7.3% from Q1's -0.3%. **Q2 2020 Unit Labor Costs** (prelim.) jumped 12.2% from Q1's +9.8%.
 - **June's Business Inventories** fell 1.1% from May's -2.3%.
 - **Initial Jobless Claims** for the week ending August 8th fell by 228K to 963K, versus the expected decrease to 1.120M. **Continuing Jobless Claims** for the week ending August 1st dropped by 604K to 15.486M, versus the expectations of 15.898M continuing claims.
- Most stock markets around the world moved higher this past week as economic data continued to improve and daily new cases of COVID-19 and hospitalizations fell in the US. After US President Trump said that he's considering a capital gains tax cut, along with weekly claims for unemployment benefits dropping below one million for the first time since the pandemic began, the S&P 500 briefly surpassed its previous all-time high, reached in February.
 - However, two out of three main US indexes ended the week roughly where they started, after wiping out most of the weekly gains after reports showed the economic recovery slowed and stimulus talks reached a stalemate. Continued deterioration in US-China relations also weighed on stocks.
 - DJIA index closed the week 1.8% higher as data showed industrial production and capacity utilization increased in July for the third straight month. The confidence was also bolstered by much better-than-anticipated second quarter corporate earnings reports. Although earnings have mostly been very weak on an absolute basis, the COVID-19 slowdown seems to have depressed expectations too much. With most companies having now reported, more than 80% beat earnings estimates and almost two thirds posted better than expected revenue growth.



Canada

S&P/TSX Composite -0.18% (16,514.61)

- Canada's S&P/TSX Composite Index lagged most other major equity markets this week and finished slightly lower. The relatively poor showing was mainly due to the sell-off in precious metals, which dragged down the materials sector. The technology sector was also lower, as e-commerce heavy-weight Shopify Inc. eased back from its record high last week.

→ **June's Manufacturing Sales** rose 20.7% from May's +11.6%.

Europe

EUROSTOXX50	+1.61%	(3,305.05)
DJSTOXX600	+1.24%	(368.07)
DAX30	+1.79%	(12,901.34)
CAC40	+1.50%	(4,962.93)
FTSE100	+0.96%	(6,090.04)

- European shares rose for the week on hopes for a vaccine against COVID-19 and more stimulus for ailing global economies.
 - The strong rally at the start of the week stalled on rising fears of a potential second wave of coronavirus infections in Europe, a risk that prompted the UK to impose more travel restrictions. Travel stocks took a hit after Britain added more countries from the continent to its quarantine list, while weak retail sales data from China raised doubts over the pace of global economic recovery.
- **Q2 2020 GDP** (prelim.) contracted 12.1% q/q from Q1's 3.6% q/q. Year-on-year, GDP plunged 15% versus Q1's -3.1% y/y. These were by far the sharpest declines observed since time series started in 1995.
- **Q2 2020 Employment Change** (prelim.) fell 2.8% from Q1's -0.2%.
- **August's Sentix Investor Confidence** rose to -13.4 from July's reading of -18.2.
- **August's ZEW Economic Sentiment Index** rose to 64 from July's reading of 59.6.
- **June's Industrial Production** fell 12.3% y/y versus May's -20.4% y/y.



UK

- **Q2 2020 GDP** (prelim.) contracted 21.7% y/y versus Q1's -1.7% y/y, a much bigger contraction than reported in all other developed economies. Quarter-on-quarter, UK GDP fell by 20.4% in the second quarter, after contracting by 2.2% in Q1 2020.
- **July's Claimant Count Rate** rose to 6.4% from June's 6.2%. **ILO Unemployment Rate** in the three months to June stayed unchanged at 3.9%, against economist expectations for a rise to 4.2%.
- **June's Industrial Production** jumped 9.3% from May's +6%. **Manufacturing Production** surged 11% from May's +8.4%.

Japan

NIKKEI +4.30% (23,289.36)

- Japan's stocks rose in the holiday-shortened week, following Wall-Street's moves.
 - Japan's GDP is expected to contract more than 7% (26.6% annualized) in the three months ended June 30 versus the prior quarter, according to a survey by the Japan Center for Economic Research. The coronavirus-induced economic contraction will be the steepest quarterly decline in four decades, more severe than the global financial crisis in the first quarter of 2009. Japan's economy was already in recession following economic declines in the previous two quarters.
 - According to research from The Nikkei, Japanese-listed companies expect their profits to decline 36% in fiscal 2020 (ending March 31, 2021) from the year-earlier period.
- **July's PPI** fell 0.9% y/y versus June's -1.6% y/y.
 - **July's Machine Tool Orders** (prelim.) fell 31.1% y/y versus June's -32% y/y.



EQUITY MARKETS



Australia & New Zealand

S&P/ASX200	+2.02%	(6,126.25)
NZX 50	-1.67%	(11,452.14)

- **Australia's August Westpac Consumer Confidence** fell to -9.5% from July's -6.1%.
- **Australia's July Unemployment Rate** rose to 7.5% from June's 7.4%.
- **Australia's July NAB Business Confidence Index** tumbled to -14 from June's reading of 1. **NAB Business Conditions Index** rose to 0 from June's reading of -7.
- **New Zealand's August ANZ Business Confidence Index** (prelim.) fell to -42.4 from July's reading of -31.8.
- **New Zealand's July Business NZ PMI** rose to 58.8 from June's 56.3.

Emerging Markets

MSCI EM	+0.35%	(1,093.16)
MSCI Asia Pacific	+1.81%	(158.75)
Shanghai Composite (China)	+0.18%	(3,360.10)
HANG SENG Index	+2.66%	(25,183.01)
India BSE SENSEX Index	-0.43%	(37,877.34)
EM Eastern Europe	+4.43%	(156.84)
Russia's IMOEX	+3.02%	(3,061.99)
MSCI EM Latin America (USD)	+0.50%	(2,016.08)
Brazil BOVESPA Index	-1.38%	(101,353.50)

- Emerging market stocks rose slightly for the week, their fourth straight week of increases, as investors were encouraged by hopes for a vaccine while awaiting US-China trade talks scheduled for August 15th. However, gains were held back by mixed economic data around the world, notably in China.
- **China's July CPI** rose 2.7% y/y versus June's 2.5% y/y.
- **China's July Retail Sales** fell 1.1% y/y versus June's -1.8% y/y. The expectations were for an increase of 0.1% y/y.
- **China's July Industrial Production** rose 4.8% y/y, the same increase as in June.



US

2-yr USTs closed up 2bps to 0.15%. 10-yr USTs closed up 15bps to 0.71%.

- US Treasury yields rose strongly for the week after the Treasury on Thursday completed \$112 billion in record supply that has put pressure on bonds all week.
- The Treasury last week increased auction sizes across the curve and said that it plans to continue to shift more of its funding to longer-dated debt in coming quarters as it finances measures to offset the impact of the coronavirus epidemic.
- US Treasury yields dropped from seven-week highs on Friday as a broader risk-averse mood in global markets supported safe haven bonds as stocks are losing ground after lackluster Chinese macro data which dampened hopes of a quick economic recovery from the coronavirus crisis.

Canada

2-yr GCAD closed up 3bps to 0.30%. 10-yr GCAD closed up 10bps to 0.42%.

Europe

2-yr Bunds closed up 4bps to -0.65%. 10-yr Bunds closed up 9bps to -0.42%.

- Germany's bond yields touched a six-week high on Friday, led higher by US Treasury yields, which have been driven up strongly by a deluge of debt issuance in the United States. Traders also cited profit-taking in European bond markets after yields hit 2-1/2 month lows earlier this month.

UK

2-yr Gilts closed up 1bps to -0.02%. 10-yr Gilts closed up 10bps to 0.24%.

Japan

2-yr bonds closed up 1bps to -0.11%. 10-yr bonds closed up 4bps to 0.05%.



CURRENCIES



Currencies	14/08/2020	Weekly %	MTD %	YTD %
USDILS	3.4049	-0.24%	0.03%	-1.40%
EURILS	4.0260	0.07%	0.37%	3.94%
GBPILS	4.4547	0.11%	0.01%	-2.76%
CHFILS	3.7399	0.11%	0.39%	4.77%
JPYILS	3.1894	-0.89%	-0.79%	0.33%
AUDILS	2.4406	0.03%	0.39%	0.68%
CADILS	2.5652	0.72%	1.10%	-3.52%
EURUSD	1.1842	0.47%	0.54%	5.61%
GBPUSD	1.3086	0.26%	0.01%	-1.29%
USDJPY	106.6000	0.64%	0.73%	-1.85%
AUDUSD	0.7171	0.20%	0.39%	2.14%
CHFUSD	1.1001	0.38%	0.47%	6.46%
CADUSD	0.7537	0.87%	1.09%	-2.09%
NZDUSD	0.6542	-0.95%	-1.31%	-2.94%

- The US dollar dropped on Friday, reversing previous gains and falling for eight straight weeks, its longest weekly run of declines in a decade, as hopes for additional fiscal stimulus to combat the pandemic faded in the end of the week.
- Concern about the US response as the coronavirus spreads and politicians remain deadlocked over the next relief package have bolstered the euro, which rose for an eighth straight week.
- Emerging market currencies fell on Friday on weak Chinese data, while sentiment was also dented by Turkey's lira hitting a record low. Still, MSCI EM currency index rose for the week on dollar's weakness and hopes for a COVID-19 vaccine.
- The Turkish lira has lost 19% against the dollar from the beginning of the year, on pace for its steepest annual decline since 2018, when it lost more than one-quarter of its value. Against the euro, it has lost a fifth of its value this year. The renewed pressure on the currency is raising alarms about Turkey's long-term ability to repay its foreign debtors, which include European banks. Spanish and French banks have the most loans outstanding to Turkey of all non-Turkish lenders.



Energy & Metals

WTI Crude Oil for September closed +1.92% to US\$42.01

- Oil squeezed out a gain for the second straight week but uncertainty around the US-China trade deal and fears of a resurgent pandemic limited the rally. Mixed economic data in the US and China also kept a lid on the price increases.
- WTI oil prices were supported by a decline in American crude stockpiles and an increase in US industrial production in July.

Gold for September closed -3.75% to US\$1,938.80

- Gold futures ended lower Friday, pulling back after two straight days of gains, with prices registering their first weekly loss in 10 weeks on the back of recent strength in US Treasury yields and a sell-off in “safe heavens” mid-week due to optimism regarding a COVID-19 vaccine.

Copper for September closed +2.38% to US\$285.90

- Copper prices rose on Friday after data from China pointed to a stable industrial recovery, although rally was held back by reduced supply concerns as Chilean producer Codelco said it is resuming work at its El Teniente facility and the project should reach full capacity in a few months.

ETF MONEY FLOWS (WTD)



GLD US Equity	SPDR GOLD SHARES	22,730,869,853	
VTI US Equity	VANGUARD TOTAL STOCK MKT ETF	22,420,159,436	
VOO US Equity	VANGUARD S&P 500 ETF	21,669,296,417	
QQQ US Equity	INVESCO QQQ TRUST SERIES 1	19,890,794,040	
LQD US Equity	ISHARES IBOXX INVESTMENT GRADE	15,230,332,025	
BND US Equity	VANGUARD TOTAL BOND MARKET	13,769,690,029	
HYG US Equity	ISHARES IBOXX HIGH YLD CORP	13,126,903,253	
VCIT US Equity	VANGUARD INT-TERM CORPORATE	12,416,284,681	
BNDX US Equity	VANGUARD TOTAL INTL BOND ETF	10,951,394,474	
IAU US Equity	ISHARES GOLD TRUST	10,429,618,537	
EFA US Equity	ISHARES MSCI EAFE ETF	(9,773,747,994)	
EEM US Equity	ISHARES MSCI EMERGING MARKET	(4,615,622,908)	
IJH US Equity	ISHARES CORE S&P MIDCAP ETF	(4,053,424,579)	
MDY US Equity	SPDR S&P MIDCAP 400 ETF TRST	(3,758,360,429)	
FLOT US Equity	ISHARES FLOATING RATE BOND ETF	(3,654,988,975)	
VWO US Equity	VANGUARD FTSE EMERGING MARKETS	(3,604,121,669)	
EWJ US Equity	ISHARES MSCI JAPAN ETF	(3,406,963,478)	
IEMG US Equity	ISHARES CORE MSCI EMERGING	(3,290,495,986)	
XLF US Equity	FINANCIAL SELECT SECTOR SPDR	(3,141,347,859)	
SHV US Equity	ISHARES SHORT TREASURY BOND	(3,000,753,962)	

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