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# WEEKLY MARKET SUMMARY



Equity Markets



Bond Markets



Currencies



Commodities

18 October 2020



## US

**S&P500 +0.19% (3,483.81); NASDAQ +0.79% (11,671.56); DJIA +0.07% (28,606.31)**

### This week's reports:

- **October's Michigan Consumer Sentiment Index** (prelim.) rose to 81.2, a seven-months high, from September's 80.4; versus the expected increase to 80.5.
  - **September's CPI** rose 0.2% from August's +0.4%. Year-on-year, the inflation was 1.4% versus August's 1.3%. **Core CPI** also rose 0.2% from August's +0.4%; year-on-year, core inflation was unchanged from August's 1.7%.
  - **September's PPI** rose 0.4% y/y versus August's -0.2% y/y. **Core PPI** rose 1.2% y/y versus August's 0.6% y/y.
  - **September's Retail Sales** jumped 1.9% from August's +0.6%; they were expected to increase by 0.7%. **Retail Sales ex Autos** rose 1.5% from August's +0.5%. The gain marked the fifth straight month of retail-sales growth.
  - **September's NFIB Small Business Optimism Index** jumped to 104 from August's 100.2 versus the expected decline to 99.6.
  - **October's NY Empire State Manufacturing Index** fell to 10.5 from September's 17; it was expected to decline to 15.
  - **October's Philadelphia Fed Manufacturing Index** surged to 32.3 from September's reading of 15, comparing to the expected decline to 14.
  - **September's Industrial Production** fell 0.6%, snapping four months of growth, from August's +0.4% and versus the expectations of an increase of 0.5%. **Capacity Utilization** declined to 71.5% from August's 72%.
  - **August's Business Inventories** rose 0.1% from July's -5.5%.
  - **Initial Jobless Claims** for the week ending October 10<sup>th</sup> rose by 53K to 898K, versus the expected decline to 825K. **Continuing Jobless Claims** for the week ending October 3<sup>rd</sup> fell by 1.165M to 10.018M, versus the expectations of a decrease to 10.7M continuing claims. The advance seasonally adjusted insured unemployment rate was 6.8%, a decrease of 0.9% from the previous week's rate.
- US stock markets ended a volatile week with small gains as encouraging economic reports lifted shares at the end of the week, paring previous losses. Earlier in the week, stocks fell on a lack of progress on new fiscal support measures.
  - The US budget deficit tripled to a record \$3.1 trillion in the fiscal year that ended Sept. 30 as the government battled the global coronavirus pandemic that plunged the country into a recession. As a share of economic output, the budget gap in fiscal year 2020 hit 16.1%, the largest since 1945. Federal debt totaled 102% of gross domestic product, the first time it has exceeded the size of the economy for the full fiscal year in more than 70 years.
  - The International Monetary Fund this week said global public debt is likely to approach a record 100% of output but urged policy makers to maintain spending to help vulnerable groups and promote a strong recovery. The IMF said the global recession won't be as deep as it projected earlier, thanks in part to massive deficit spending by advanced and major emerging-market economies.



## Canada

**S&P/TSX Composite -0.75% (16,438.75)**

- Canada's S&P/TSX Composite Index fell for the week, led down by health, finance and commodities stocks. Health care shares posted the sharpest drop among Canada's sectors as third quarter earnings of cannabis companies disappointed. Energy stocks fell as oil prices remained 30% below their pre-pandemic level, and financials were pressured by falling bond yields.

→ **August's Manufacturing Sales** fell 2% from July's +7.2%.

## Europe

<b>EUROSTOXX50</b>	<b>-0.84%</b>	<b>(3,245.47)</b>
<b>DJSTOXX600</b>	<b>-0.77%</b>	<b>(367.48)</b>
<b>DAX30</b>	<b>-1.09%</b>	<b>(12,908.99)</b>
<b>CAC40</b>	<b>-0.22%</b>	<b>(44,935.86)</b>
<b>FTSE100</b>	<b>-1.61%</b>	<b>(5,919.58)</b>

- European stock markets were all lower after Germany, France and the UK announced stricter limits on gatherings. France went as far as imposing curfews for the next four weeks for Paris and several other large cities.
  - Europe's markets bounced on Friday, limiting the week's losses, on hopes that a vaccine for the novel coronavirus could be available in the United States before the end of the year, after Pfizer said it could file for US authorization of the COVID-19 vaccine as early as November.
  - A number of upbeat quarterly earnings reports from companies such as LVMH, Moncler and Volvo, also lifted sentiment in Europe's markets. However, the European STOXX 600 is still down nearly 12%, while the S&P 500 has gained about 8% this year. Going forward, renewed tightening of social restrictions to tackle the resurgent coronavirus pandemic across Europe threatens to harm the nascent economic recovery and companies' earnings.
  - According to Refinitiv data, analysts expect companies on the STOXX 600 to report an average 36.7% drop in third quarter earnings year-on-year, versus the 51% drop in European profits in the second quarter.
- **October's ZEW Economic Sentiment Index** fell to 52.3 from September's 73.9, versus the expected decline to 70.5.
- **August's Industrial Production** rose 0.7% from July's +5%.
- **September's CPI** rose 0.1% from August's -0.4%. Year on year, prices fell 0.3%, the same as in August. **Core CPI** rose 0.2% m/m and also 0.2% y/y, the same monthly and annual increase as in August.



## UK

- UK stocks were especially weak as a UK-European Union summit meant to reach an agreement on the post-Brexit trading relationship ended with no breakthrough on the main outstanding issues.
- **September's Claimant Count Rate** rose to 7.6% from August's 7.5%. **ILO Unemployment Rate** rose to 4.5% in the three months through August, versus 4.3% in the previous period.

## Japan

**NIKKEI -0.89% (23,410.63)**

- Japanese stocks fell as new coronavirus curbs in Europe dimmed hopes of a swift global economic recovery, hurting sentiment. However, losses were limited as Fast Retailing forecast upbeat annual earnings.
- **August's Industrial Production** fell 13.8% y/y versus July's -13.3% y/y. **Capacity Utilization** rose by 2.9% from July's +9.6%.
- **August's Machinery New Orders** fell 15.2% y/y versus July's -16.2%.
- **September's Machine Tool Orders** (prelim.) fell 15% y/y versus August's -23.2% y/y.
- **September's PPI** fell 0.8% y/y versus August's -0.6% y/y, versus the expected -0.5% y/y.

## Australia & New Zealand

**S&P/ASX200 +1.22% (6,176.79)**

**NZX 50 +1.24% (12,433.16)**

- Australian stocks outperformed most Asia-Pacific markets after the Governor of the Reserve Bank of Australia suggested that interest rate cuts were being considered to support the economy.
- **Australia's October Westpac Consumer Confidence Index** surged to 105.0 from September's reading of 93.8.
- **Australia's September Unemployment Rate** rose to 6.9% from August's 6.8%.
- **New Zealand's September Business NZ PMI** jumped to 54.0 from August's 50.7.



## Emerging Markets

MSCI EM	+0.14%	(1,124.08)
MSCI Asia Pacific	-0.37%	(162.70)
Shanghai Composite (China)	+1.96%	(3,336.36)
HANG SENG Index	+1.11%	(24,386.79)
India BSE SENSEX Index	-1.30%	(39,982.98)
EM Eastern Europe	-3.50%	(130.23)
Russia's IMOEX	-1.22%	(2,799.54)
MSCI EM Latin America (USD)	-1.34%	(1,897.92)
Brazil BOVESPA Index	+0.85%	(98,309.10)

- Most of the emerging markets declined as a resurgence in coronavirus cases in Europe harmed investor sentiment, lifting the US dollar and pressing down risk assets, such as commodities and EM stocks and currencies.
- **China's September CPI** fell to 1.7% y/y versus August's 2.4% y/y.
- **China's September PPI** declined 2.1% y/y versus August's -2.0% y/y.
- **China's September Exports** rose 9.9% y/y versus August's 9.5% y/y. Exports continued to rise as China continued to benefit from coronavirus-fueled demand for medical equipment and work-from-home electronic products.
- **China's September Imports** surged 13.2% y/y versus August's -2.1% y/y as Beijing showed willingness to fulfill commitments made in the phase one trade deal signed with the US in January, which includes promises by China to buy more American agricultural and energy products. China's imports from the US soared 24.8% in September from a year earlier, accelerating from a 1.8% increase in August.



## US

**2-yr USTs closed down 1bps to 0.14%. 10-yr USTs closed down 3bps to 0.75%.**

- US government bond yields ended the holiday-shortened week modestly lower as Friday's jump limited the weekly decline. Treasury yields rose on Friday after data showed retail sales increased more than expected, while consumer confidence improved. Earlier in the week, Treasury prices jumped on resurgent Covid-19 fear, which depressed risk sentiment and lifted safe assets such as US bonds and the dollar.

## Canada

**2-yr GCAD closed down 3bps to 0.23%. 10-yr GCAD closed down 5bps to 0.58%.**

## Europe

**2-yr Bunds closed down 5bps to -0.75%. 10-yr Bunds closed down 10bps to -0.62%.**

- German government bond yields dropped the most since August after measures to curb the growing number of coronavirus infections in Europe hit risk assets.

## UK

**2-yr Gilts closed down 4bps to -0.06%. 10-yr Gilts closed down 10bps to 0.18%.**

## Japan

**2-yr bonds closed down 1bps to -0.13%. 10-yr bonds closed down 1bps to 0.02%.**



# CURRENCIES



Currencies	16/10/2020	Weekly %	MTD %	YTD %
USDILS	3.3782	0.00%	-1.40%	-2.17%
EURILS	3.9579	-0.92%	-1.49%	2.18%
GBPILS	4.3606	-1.06%	-1.56%	-4.81%
CHFILS	3.6895	-0.65%	-0.90%	3.36%
JPYILS	3.2022	0.10%	-1.53%	0.73%
AUDILS	2.3891	-2.35%	-2.72%	-1.44%
CADILS	2.5590	-0.64%	-0.56%	-3.76%
EURUSD	1.1718	-0.91%	-0.03%	4.50%
GBPUSD	1.2915	-0.93%	-0.04%	-2.58%
USDJPY	105.4000	-0.21%	-0.08%	-2.96%
AUDUSD	0.7081	-2.20%	-1.13%	0.85%
CHFUSD	1.0930	-0.52%	0.65%	5.78%
CADUSD	0.7581	-0.58%	0.99%	-1.52%
NZDUSD	0.6602	-0.96%	-0.23%	-2.05%

- The US dollar rose against a basket of currencies on increased investor caution over a global surge in coronavirus cases and fading prospects for a US stimulus package before the Nov. 3 election.
- The safe-haven Japanese yen was headed for a weekly gain against the US dollar as investor appetite for safe haven assets remained strong.
- Most emerging market currencies were set for a weekly loss as resurging global coronavirus cases and signs an economic recovery may be stalling sapped demand for riskier assets.



## Energy & Metals

### **WTI Crude Oil for December closed +0.51% to US\$41.12**

- Crude oil prices were dragged down by concerns that a spike in COVID-19 cases in the United States and Europe will continue to suppress demand in two of the world's biggest fuel-consuming regions.
- Still, WTI crude managed to close the week with a small gain, as better-than-expected economic reports helped sentiment.
- OPEC+ said that the oil-producing nations fear a prolonged second wave of the pandemic and a jump in Libyan output could push the oil market into surplus next year.

### **Gold for December closed -1.03% to US\$1,906.40**

- Gold futures fell to log their first weekly decline in three weeks, as overall strength in US currency weighed on dollar-pegged metals. Bullion has been under pressure as the dollar has attracted buying from investors looking for havens amid rising global cases of Covid-19.

### **Copper for September closed -0.49% to US\$306.75**

- Copper prices declined over the week on global worries about Covid-19 cases resurgence. However, the red metal's declines were limited by strong US and Chinese economic data.



# ETF MONEY FLOWS (WTD)



EFA US Equity	ISHARES MSCI EAFE ETF	(1,021,883,986)	
JNK US Equity	SPDR BBG BARC HIGH YIELD BND	(905,546,860)	
IGIB US Equity	ISHARES 5-10Y INV GRADE CORP	(752,638,480)	
TQQQ US Equity	PROSHARES ULTRAPRO QQQ	(648,378,309)	
SHY US Equity	ISHARES 1-3 YEAR TREASURY BOND	(484,050,012)	
PZA US Equity	INVESCO NATIONAL AMT-FREE MU	(302,388,736)	
BIL US Equity	SPDR BBG BARC 1-3 MONTH TBIL	(297,461,126)	
IWD US Equity	ISHARES RUSSELL 1000 VALUE ETF	(258,100,500)	
XLB US Equity	MATERIALS SELECT SECTOR SPDR	(248,427,472)	
XLV US Equity	HEALTH CARE SELECT SECTOR	(244,847,918)	
IVW US Equity	ISHARES S&P 500 GROWTH ETF	91,994,971,361	
IJK US Equity	ISHARES S&P MID-CAP 400 GROW	21,256,537,450	
IJS US Equity	ISHARES S&P SMALL-CAP 600 VALUE	5,096,197,906	
SPY US Equity	SPDR S&P 500 ETF TRUST	4,723,071,315	
IJJ US Equity	ISHARES S&P MID-CAP 400 VALUE	4,619,064,213	
IJT US Equity	ISHARES S&P SMALL-CAP 600 GROWTH	4,367,590,127	
QQQ US Equity	INVESCO QQQ TRUST SERIES 1	3,193,598,608	
VTI US Equity	VANGUARD TOTAL STOCK MKT ETF	1,744,085,552	
VXUS US Equity	VANGUARD TOTAL INTL STOCK	1,454,765,039	
BNDX US Equity	VANGUARD TOTAL INTL BOND ETF	724,532,307	

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FOR ADDITIONAL INFORMATION PLEASE CONTACT US AT:

40 Tuval St., Ramat Gan 5252247

Tel: +972 3 611 4626 | Fax: +972 3 611 4645

Email: [info@tandem-capital.com](mailto:info@tandem-capital.com)

[www.tandem-capital.com](http://www.tandem-capital.com)