

Summary

- **Equities:** In Europe, stocks are currently trading lower, with the STOXX 600 down -0.5% over the morning. In the US, futures for the S&P 500 are flat. In Asia, the Kospi and S&P / ASX 200 added +1.3% and +0.7%. The Hang Seng closed -0.6% lower, as did the CSI 300 and the Topix, which were both down -0.3%.
- **VIX:** The CBOE market volatility index and the Euro Stoxx 50 volatility price index have increased +0.4% and +1.0% over the morning, to 25.4 and 24.2. The European 'investor fear gauge' remains close to its long term average of 23.9, while the US VIX is still elevated, indicating further expectation of near-term volatility.
- **Bonds:** The UK 10-year gilt yield, US 10-year treasury yield, German 10-year bund yield and Italian 10-year government bond yield are currently 0.12%, 0.54%, -0.52% and 1.01% respectively.
- **Currency:** Sterling has appreciated to \$1.32, the strongest it has been since December 2019, while the euro remains steady at \$1.18. Hedging benefits for US dollar denominated investors into the UK and the eurozone are 0.22% and 1.01% per annum on a five-year basis.
- **Baltic Dry:** The Baltic Dry index gained a further +0.8% yesterday, lifting the index to 1,475 and bringing the cumulative gains over the last five trading sessions to +17%.
- **Oil:** Brent Crude and the West Texas Intermediate (WTI) are down -0.6% and -1.2% over the morning to \$44.90 per barrel and \$41.68 per barrel, respectively.
- **Gold:** The price of gold appreciated by +1% yesterday to a new record high of \$2,042 per troy ounce. This price is over one third higher than it was in January.
- **UK Economy:** Following signs of an earlier and more rapid initial recovery, the Bank of England (BoE), has revised its GDP growth forecast for 2020 upwards to -9.5% from -14%, previously outlined in May. Looking further ahead, the BoE projects UK GDP growth to reach +9% in 2021 and +3.5% in 2022, adjusted from the +15% for 2021 and +3% for 2022 previously forecast. The BoE notes that uncertainty around their projections is unusually high.

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COVID-19 Dashboard

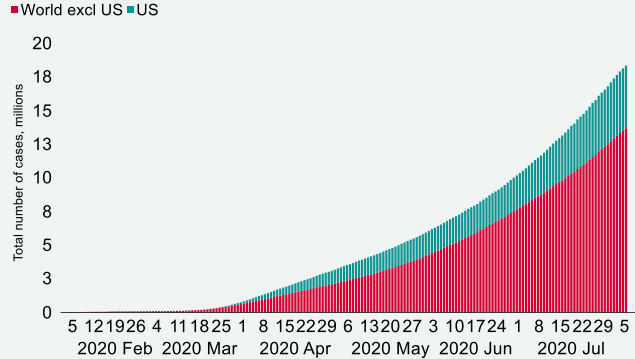
6 August 2020



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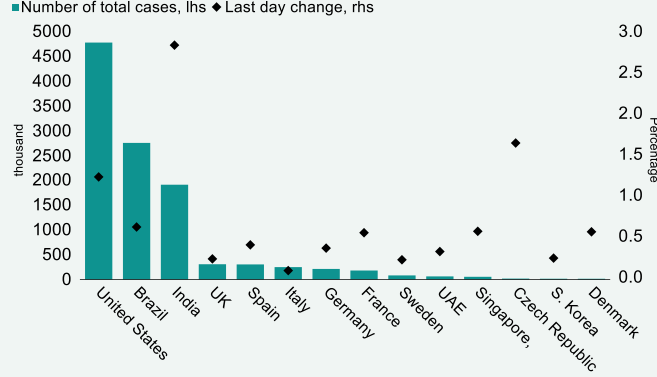
COVID-19

Cumulative number of global cases



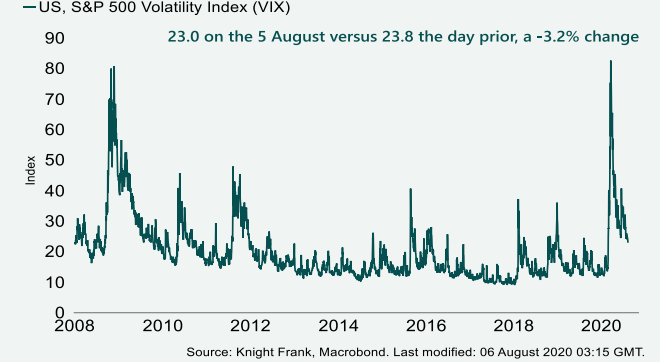
The number of total confirmed cases reached 18.4 million on the 5 August, an increase of 212k new cases over the day prior.

Cumulative number of cases by country



The chart presents the number of cumulative cases (left axis) and the percentage change of new cases against the day before (right axis).

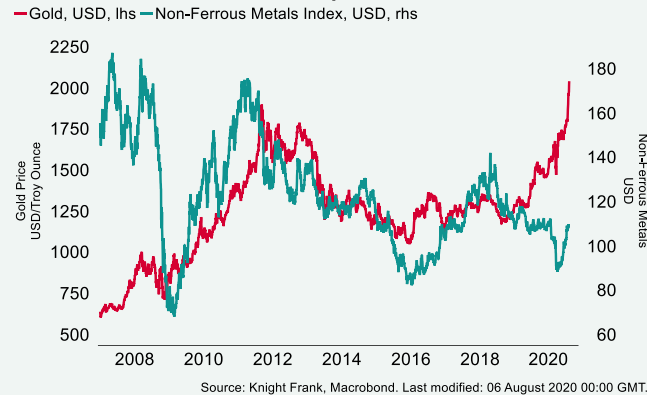
Volatility Index



The CBOE VIX (colloquially known as the Investor fear gauge) is an indication of near term S&P 500 stock price volatility based on underlying options.

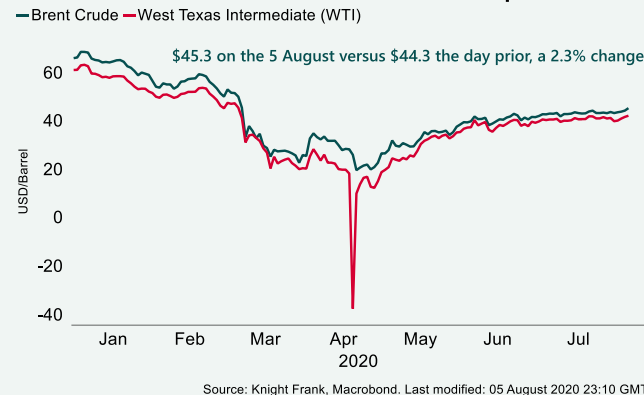
Commodities

Gold and non-ferrous metals price, USD



	5 Aug	D/D (%)	YTD (%)
Gold, USD	2042	3.4	34.6
Non-Ferrous Metals, USD	110	-0.3	-1.0

Brent Crude and West Texas Intermediate oil price



Brent crude monitors the level of demand for raw materials and is a measure of economic activity. Lately also influenced by Saudi-Russia price war.

Baltic Dry Index (BDI)



Baltic Dry Index is a measure of what it costs to ship raw materials and is a leading indicator of global demand. A lower value means lower demand.

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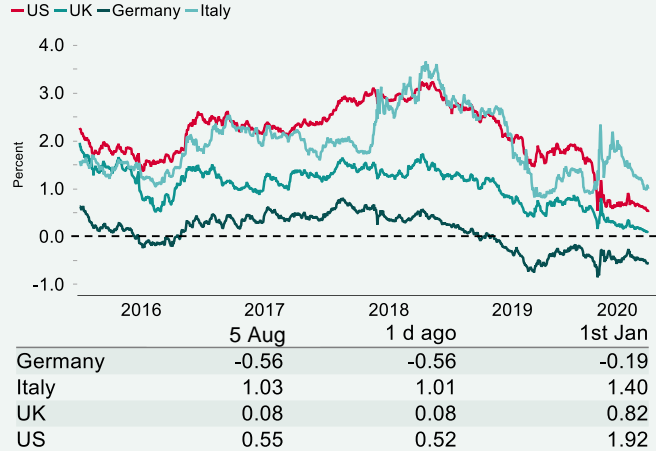
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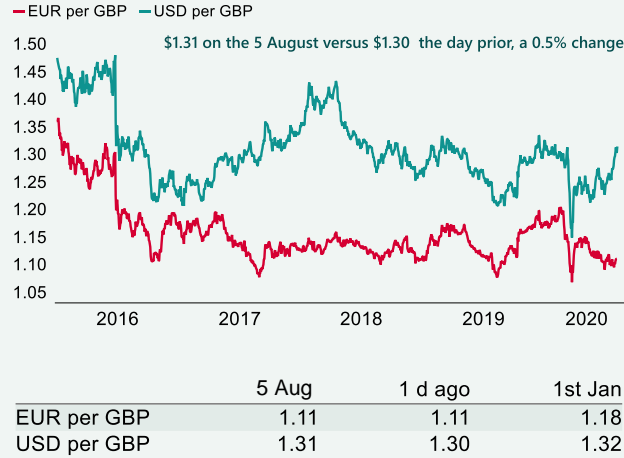
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Bonds and currencies

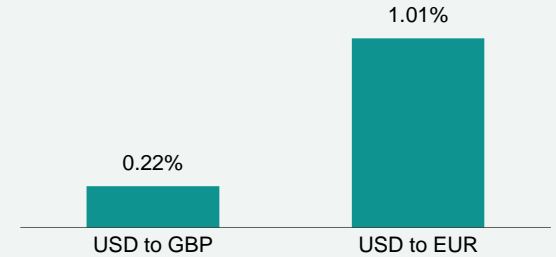
10y Government Bond Yield (%)



FX Spot Rates



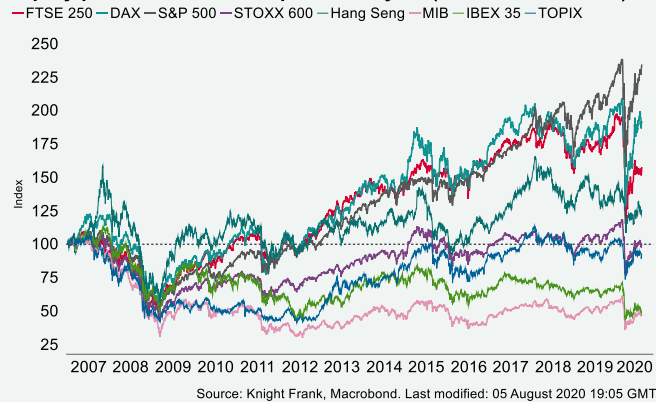
Currency hedging benefit p.a. based on a five year forward



Source: Knight Frank, Investing.com
Approximate additional return per annum that dollar denominated investors may obtain based on five year currency hedge.

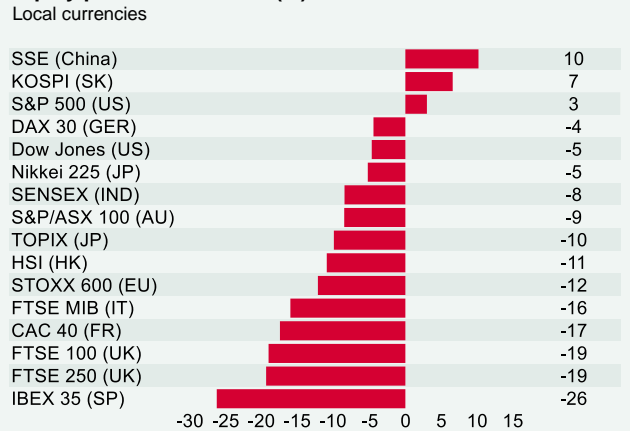
Equity and REIT

Equity performance: since previous cycle (1st Jan 2007 = 100)



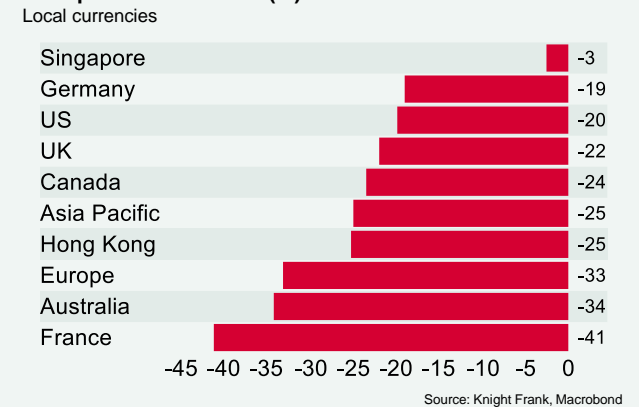
The chart presents the performance of selected equity indexes since the months prior the global financial crisis (2007).

Equity performance: YTD (%)



Source: Knight Frank, Macrobond

REIT performance: YTD (%)



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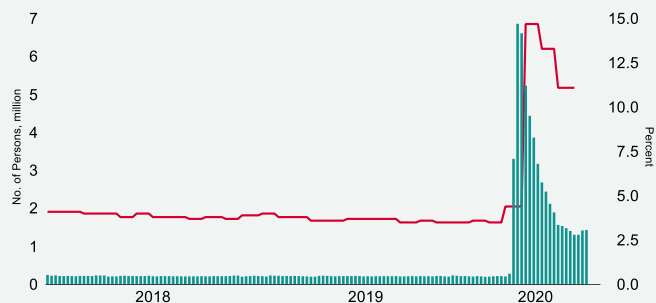


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US indicators

US Unemployment

— Monthly Unemployment Rate, rhs ■ New Weekly Jobless Claims, lhs

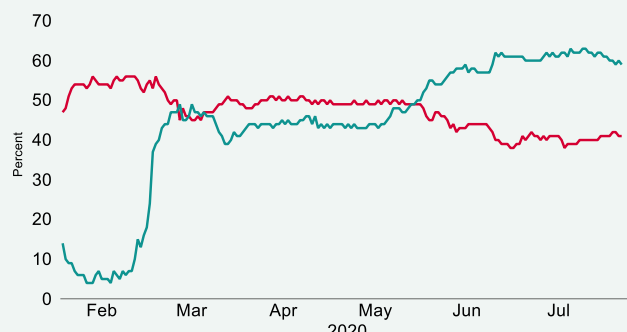


Source: Knight Frank, Macrobond. Last data for the week commencing the 20 July.

The chart presents the number of Americans that each week file for unemployment benefits (left axis) and the overall monthly unemployment rate (right axis)

2020 Presidential Winner (probability of winning, %)

— Trump — Biden



Source: Knight Frank, Macrobond. Last modified: 06 August 2020 07:01 GMT.

	6 Aug	1 week ago	1 month ago
Trump	41%	41%	41%
Biden	59%	62%	60%

Fiscal policy

Fiscal measures details

UK	£330bn+ : Government backed loans and guarantees equivalent to 15% of UK GDP. SMEs given access to cash grants. Support for furloughed employees of 80% salary ≤£2,500 per month. Furlough scheme extended until October 2020 with employers sharing the cost from August. Taxable grant for self-employed <£50k trading profit, worth 80% of monthly profits up to £2.5k, paid as a lump sum.
USA	\$3.0tn : 2 nd package passed 23 rd April, worth \$483 billion, increasing US stimulus to \$3 trillion (15% GDP).
EU	€1.35tn : This includes €240bn to the European Stability Mechanism, and €200bn in EIB guarantees. On 4 th June, the ECB extended the pandemic purchase programme (PEPP) until June 2021, purchasing an additional €600bn in bonds, taking total stimulus to €1.35tn. €750bn : a new recovery package for EU member states announced in July including €390bn in grants and €360 in interest free loans.
Germany	€880bn : The emergency aid measure approved on Monday 23 rd of March. In June an additional €130bn fiscal stimulus programme including VAT rate cut to 16% from 19% and one off 'children's bonus' payment.
Italy	€400bn : The stimulus announced on the 7 th April €25bn : Emergency package to support businesses and families.
France	€45bn : The aid package for SMEs and other hard-hit sectors announced by the French government on 17 th of March. Includes deferred corporate tax, social security charges and two months state payments to laid off workers. €300bn : government backed loans.
Spain	€200bn : the aid package includes government loan guarantees to ensure liquidity for SMEs (the government said it would provide businesses with "all the liquidity they need"), other government commitments and private money.
Japan	\$2.2tn : Further stimulus announced in late May added \$1.1 trillion to the country's stimulus package, bringing total stimulus to \$2.18 trillion or 40% of GDP.
Hong Kong	HK\$10k for every adult citizen (c.£7bn).

Source: Knight Frank, various sources

Monetary policy

Central Banks Policy Rates

	Current Rate	Rate at 1/1/2020	YTD Change
Advanced Economies			
Australia	0.25%	0.75%	-50 bps
Canada	0.25%	1.75%	-150 bps
Euro Area	0.00%	0.00%	0 bps
France	0.00%	0.00%	0 bps
Germany	0.00%	0.00%	0 bps
Italy	0.00%	0.00%	0 bps
Sweden	0.00%	-0.25%	25 bps
Japan	-0.10%	-0.10%	0 bps
United Kingdom	0.10%	0.75%	-65 bps
United States	0.25%	1.75%	-150 bps
Developing Economies			
Brazil	2.00%	4.50%	-250 bps
China	4.35%	4.35%	0 bps
India	4.00%	5.15%	-115 bps
Mexico	5.00%	7.25%	-225 bps
Russia	4.25%	6.25%	-200 bps
Saudi Arabia	1.00%	2.25%	-125 bps
South Korea	0.50%	1.25%	-75 bps
Turkey	8.25%	12.00%	-375 bps

Central Bank Assets Purchasing Programme

	Lastest (\$)	MoM (%)	YoY (%)
Advanced Economies			
Australia	196 bn	1.6%	64.9%
Canada	387 bn	14.3%	335.9%
Euro Area	7.49 tn	6.3%	43.7%
France	1.78 tn	15.4%	40.7%
Germany	2.67 tn	8.5%	38.2%
Italy	1.39 tn	9.3%	23.0%
Sweden	142 bn	8.2%	49.5%
Japan	6.3 tn	4.7%	20.3%
United Kingdom	780 bn	-0.2%	-1.9%
United States	6.95 tn	-1.3%	83.5%
Developing Economies			
Brazil	529 bn	2.6%	-4.1%
China	5.14 tn	-0.2%	-2.7%
India	357 bn	1.2%	32.2%
Mexico	210 bn	-3.5%	10.3%
Russia	631 bn	-1.8%	1.2%
Saudi Arabia	481 bn	2.9%	-7.8%
South Korea	445 bn	2.9%	7.7%
Turkey	104 bn	-4.8%	0.4%

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