

U.S.-China spy spat leads markets lower

Snapshot



Corporate Bonds

Sovereign Bonds

Oil

Gold

Copper



World Equities

The week ahead

29
July

The Fed meets for its latest interest rate decision.

30
July

U.S. GDP growth for Q2 goes to print.

31
July

Eurozone GDP for Q2 and July inflation figures are released.

Global markets fell as rising infection rates coupled with a deterioration in U.S.-China relations erased gains from earlier in the week. The period had started strongly as Oxford University and AstraZeneca confirmed positive reports in relation to the Covid-19 vaccine. Tuesday saw the announcement of a historic EU stimulus plan worth €750bn, which means the European Commission can now raise funds to distribute to members, in a mixture of grants and loans. The grants aspect of the package is smaller than initially proposed following canvassing from the 'frugal four' led by Dutch PM Mark Rutte. Eurozone data was also positive with manufacturing and services data recovering more than expected, as both metrics moved back into expansionary territory. Whilst it is worth noting the starting point, both indicators are at their highest since mid-2018, with Germany and France both contributing positively. Periphery eurozone bonds fared best over the course of the week, as spreads narrowed following the announcement of the stimulus package.

However, sentiment soured as the week progressed as the U.S. and China both expelled diplomats from respective Consulates in Houston and Chengdu following U.S. accusations of spying and intellectual property theft. In terms of U.S. data, record low mortgage rates continued to spur a rebound in the housing market whilst weekly initial jobless claims showed a surprise rise, signalling the first increase in unemployment since March. Republican lawmakers continue to develop a plan for their own stimulus package as persistently high virus infection rates leads to a stuttering reopening of the economy. There was some sector rotation evident in equities last week as tech stocks fared worst, as Apple and a number of chipmakers underperformed. Energy stocks performed better as value stocks regained some of the significant ground lost to growth stocks so far this year.

Our regular market information continues on the next page.

	1 Week Return 20.07.20 to 27.07.20		Year to Date Return 01.01.20 to 27.07.20	
	Local Currency	Euro	Local Currency	Euro
World	-0.9%	-2.5%	-2.8%	-6.2%
U.S.	-1.3%	-3.4%	0.6%	-3.5%
Europe	-2.1%	-2.1%	-8.1%	-8.1%
Ireland	-1.5%	-1.5%	-8.0%	-8.0%
U.K.	-2.2%	-3.0%	-19.9%	-25.6%
Japan	-0.2%	-0.6%	-7.8%	-8.8%
Hong Kong	-1.3%	-3.4%	-13.1%	-16.2%
Corporate Bonds	0.2%	0.2%	0.0%	0.0%
Sovereign Bonds	0.5%	0.5%	4.0%	4.0%

Equities

- Global markets moved down last week, by -0.9% in local terms and -2.5% in euro terms.
- The influential U.S. market was down by -1.3% and -3.4% in local and euro terms respectively.

Fixed Income & FX

- The U.S. 10-year yield finished at 0.57% last week. The German equivalent finished at -0.46%. The Irish 10 year bond yield finished at -0.08%.
- The Euro/U.S. Dollar exchange rate remained at 1.17, whilst Euro/GBP finished at 0.91.

Commodities

- Oil finished the week at \$41 per barrel.
- Gold finished the week at \$1,940 per troy ounce up 27.9% year to date in local terms and 22.6% year to date in Euro terms.
- Copper finished the week at \$6,430 per tonne.

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