

Markets strike cautious tone as case numbers rise

Snapshot



World Equities

Corporate Bonds

Sovereign Bonds

Oil

Gold

Copper

The week ahead

28
Oct

No significant change in policy is expected as the Bank of Japan meets.

29
Oct

Apple, Amazon, Alphabet and Facebook all report earnings. The ECB also meets.

30
Oct

Flash eurozone GDP data and inflation readings go to print.

Equities fell last week amid rising COVID case numbers and the continuing stalemate in U.S. stimulus negotiations. The White House and House Democrats both accused each other of shifting expectations for the fiscal stimulus package, and a deal remains elusive with the U.S. elections just one week away. Whilst the implications of not passing a deal are far from certain, there had been a growing expectation that something would be agreed (as evidenced in higher U.S. bond yields).

U.S. housing data continued to benefit from the lower interest rate environment seen this year, with existing home sales growing 9.4% from a month earlier. The U.S. Composite PMI rose to 55.5 in October from 54.3 the month before, the highest level since February 2019. It was the service sector in particular that recorded a marked acceleration in activity, entering the fourth quarter on a solid footing. The Q3 earnings season is now well under way with roughly a quarter of the S&P 500 companies having reported. The beat/miss-ratio is above historical levels and the average earnings surprise currently stands at a solid 18%, though lower and less of a market driver than in Q2.

As we entered our own Level 5 restrictions here in Ireland, a number of other European countries have followed suit. France reported a record 52,000 new cases on Sunday and has extended night-time curfews. Germany and Italy have also reintroduced measures whilst the U.K. government is attempting to impose contentious regional lockdowns.

As the second wave of the virus takes hold, service sector confidence in the Eurozone is weakening. Whilst the manufacturing PMI data for September held up well, services confidence fell almost two points to 46.2 from 48.0, well below the 50-mark dividing contraction from expansion.

Our regular market information continues on the next page.

	1 Week Return 19.10.20 to 26.10.20		Year to Date Return 01.01.20 to 26.10.20	
	Local Currency	Euro	Local Currency	Euro
World	-1.1%	-1.4%	2.7%	-2.4%
U.S.	-0.8%	-1.1%	8.3%	2.9%
Europe	-3.1%	-3.1%	-9.0%	-9.0%
Ireland	-3.9%	-3.9%	-3.1%	-3.1%
U.K.	-1.3%	-1.4%	-22.6%	-27.7%
Japan	-1.1%	-0.8%	-3.7%	-5.2%
Hong Kong	1.1%	0.8%	-6.6%	-10.8%
Corporate Bonds	-0.4%	-0.4%	1.6%	1.6%
Sovereign Bonds	-0.8%	-0.8%	6.2%	6.2%

Equities

- Global markets fell last week up by -1.4% in euro terms and -1.1% in local terms.
- Year to date the U.K. market is down -27.7% in euro terms and -22.6% in local terms.
- The influential U.S. Market was down -1.1% in euro terms and -0.8% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 0.80% last week. The German equivalent finished at -0.58%. The Irish 10-year bond yield finished at -0.23%.
- The Euro/U.S. Dollar exchange rate finished at 1.18, whilst Euro/GBP finished at 0.91.

Commodities

- Oil finished the week at \$38 per barrel.
- Gold finished the week at \$1,902 per troy ounce up 25.4% year to date in local terms and 19.0% year to date in Euro terms.
- Copper finished the week at \$6,760 per tonne.

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