

MONDAY MORNING RECAP - July 27, 2020

Last Week

Dow Jones Industrial Average (DJIA)	26469.89	-202.06	-0.76%
S&P 500 Index	3215.63	-9.10	-0.28%
NASDAQ Composite Index	10363.18	-140.01	-1.33%
U.S. 10 yr. Treasury Note Yield	0.59%	-5 Basis Points	
Gold (\$ per troy oz.)	\$1897.30	+\$89.00	+4.92%
Oil (\$ per barrel)	\$41.29	+\$0.54	+1.33%

Market Summary

GLOBAL EQUITIES: US equities moved lower last week, following heightened tensions in US-China relations, disappointing Q2 technology earnings, and an increase in jobless claims. The market continued to anticipate a 'Phase 4' fiscal stimulus in the US, though unemployment benefits and payroll tax cuts reflect sticking points. Meanwhile, in a historic demonstration of European debt integration, the European Union (EU) reached a new recovery plan and a 2021-2027 budget sized at €1.8tr, with €750bn dedicated to joint COVID-19 relief. Both the S&P 500 and Euro Stoxx 600 closed -0.28% and -1.43% lower, respectively.

COMMODITIES: WTI and Brent oil prices increased 1.33% and 0.46%, respectively. Hopes for a demand recovery boosted market sentiment, but it was offset by a rise in US crude inventories of 4.9 mn barrels. Additionally, gold soared 4.92% on a weakened dollar to an all-time high of \$1897 per troy oz.

FIXED INCOME: The flight to safe-haven assets continued this week following heightened US-China geopolitical tensions coupled with concerns surrounding delayed state reopenings. The US 10-year Treasury yield reached a 3-month low, declining to 0.59% on the back of a less favorable jobless claims print. Similarly, the UK 10-year Gilt yield dipped to an all-time low before rebounding slightly and ending at 0.14% as investors continue to fear the dual effects of Brexit and the COVID-19 pandemic. The drop in UK rates comes amid investor speculation around the possibility of sub-zero interest rates in the coming months.

FX: The euro rallied this week, with the EUR/USD exchange rate surging to highs unseen since 2018. The euro appreciated 1.75% against the US dollar, as investors looked for safety in the euro while USD outlook remained plagued by geopolitical and coronavirus-related uncertainties.

Economic Summary

JOBS: Initial jobless claims for the week rose for the first time in four months, jumping to 1.42 mn as some states hit pause on reopening. The sudden rise reversed the steady decline in claims since March, signaling a bumpy road ahead toward labor market recovery. However, shrinking insured unemployment suggests that those previously laid off are slowly being rehired.

SENTIMENT: July's German GfK Consumer Climate Index surpassed consensus expectation, climbing for the third consecutive month to -0.3 points. Tailwinds from stimulus measures boosted economic activity toward pre-lockdown levels.

MANUFACTURING: In the Euro area, the Composite PMI improved by 6.3 points to 54.8 in July reaching a 25-month high, notably above market expectations of 51.1. This first reading above 50 since February reflects easing lockdown policies across the Euro area, as businesses return to more normal conditions. At a component level, the recovery was broad-based, and slightly stronger in services. In the UK, the composite PMI also came in stronger than market expectations, printing at 57.1 in July from 47.7 a month ago.



Key Economic Releases¹

Monday, July 27:

Eurozone M3 Supply (Cons: 9.3%, Prior: 8.9%)

Germany Ifo Business (Cons: 89.2, Prior: 86.2%)

Tuesday, July 28:

US Cons. Conf. (Cons: 94.8, Prior: 98.1)

Wednesday, July 29:

No economic data released.

Thursday, July 30:

US Jobless Claims (Cons: 1450k, Prior: 1416k)

Friday, July 31:

US Pers. Income (Cons: - 0.5%, Prior: - 4.2%)

US Pers. Spend. (Cons: 5.5%, Prior: 8.2%)

UMich Cons. Sent. (Cons: 72.7, Prior: 73.2)

Source: Goldman Sachs Asset Management, "Market Monitor", 7/24/20

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.

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