Market Recap 27/09/2020

United States

Last week the S&P 500 went down by 0.63% and closed at 3,298.46, whilst Dow Jones registered a weekly loss of 1.75%, finishing at 27,173.96. These figures represent the fourth straight weekly fall for both indexes, the longest losing streak in over a year. Gloomy prospects for the growing cases of coronavirus, new lockdown measures, and disappointment with the lack of economic stimulus - all contributed to the bearish tendency of the market. On the other hand, technology stocks performed far better, as the investors perceive them as a safer alternative in the current circumstance. The NASDAQ composite recorded its first weekly gain since August, closing at 10,913.56, up by 1.11% w/w.

The week started with a steep loss in the shares of major banks. Deutsche Bank, HSBC, and JPMorgan Chase were all on the losing side after money laundering allegations, with Monday intraday fall of 8.7%, 5.5%, and 3.1%, respectively.

On Tuesday, Jay Powell urged Congress to support the economy with direct loans, as it would help to hasten the recovery. In his opinion, both fiscal and monetary tool is needed, as small businesses and low-income population has greatly suffered due to pandemic.

On a macro note, Federal Reserves Vice Chairman Richard Clarida said that interest rates will not be raised until full employment is attained, and the inflation stays at the threshold of 2% for a couple of months. The FED is not afraid of surpassing its inflation target, as a low tolerance for overshooting could require more time for the inflation to reach 2%. The policymaker's declaration reinforces FED's wish to keep the rates at the near-zero level until 2023.

The market expectations for Tesla's Battery Day were excessively high, with the stock losing another 7% after it had already fallen by 5% when Musk emphasized in a tweet "the extreme difficulty of scaling production of new technology" just hours before the much-awaited event.

On the currency side, the EUR/USD closed at 1.1630, with a weekly drop of 1.75%. The dollar index, which reflects the performance of the dollar against its major peers, ended the week at 94.64 on Friday, registering a weekly growth of 1.84%. As pandemic, election, and fiscal risks mount, the investors expect high volatility in the coming months, while still perceiving the dollar as the reference and safest currency, thus driving its value up.

Europe

The Euro Stoxx 50 closed at 3,137.06, and fell by 4.47%, as the market fears for the second wave of coronavirus. France, Spain, and the UK registered thousands of new COVID cases, hence intensifying the concerns among investors, that foresee other potential lockdown measures. The European stocks have recorded the worst week since June, with the decline of the travel & leisure sector having a considerable impact on the market. On Monday, the DAX experienced its worst day in three months, as it decreased by 4%.

Italian 10Y Bunds dropped by seven basis points on Friday and yielded 0.87%, a figure that closed the gap between the German and Italian 10Y Bunds, a significant measure of sovereign risk, to 1.3%. The bonds rally after the right-wing populist party of Matteo Salvini fell off expectations in the regional elections, thus removing the risk of a possible snap election.

On the currency side in Europe, EUR/CHF closed at 1.0797 in a slight correction of +0.05%. The EUR/SEK closed at 10.6099 with a weekly change of +2.47%, whilst the EUR/NOK gained 3.42%, closing at 11.1322.

UK

The FTSE 100 declined by 2.74% and reached 5,842.67 at the end of this week. The index variation follows the news about the COVID-19 outbreak, specifically almost doubling the number of cases in the UK in the last seven days. Moreover, Boris Johnson confirmed the plans to introduce new restrictions for the bars and restaurants.

HSBC made negative headlines, as it was reportedly implicated in money laundering, having moved tremendous amounts of cash for suspicious characters. The media allegations directly affected its stock price, which hit a 25-years low, after a weekly drop of 8.2%.

On the currency side, GBP/USD sank to the lowest level in more than two months on Wednesday, and reached 1.2745 at the end of the week, a decline of 1.3% w/w.

Rest of the World

Japan's Nikkei225 was down 0.67%, closing at 23,204.62, while the Topix index dropped to 1,634.23 with a similar weekly loss of 0.74%.

China's CSI 300 composite index closed at 4,570.02, slipping 3.53% w/w, while Hang Seng reached 23,235.42, dropping roughly 5%, amid the concerns over a global pandemic and the lack of stimulus in the US.

On the currency side, the Turkish lira was a big mover in the EM, as USD/TRY increased by 1.38% w/w and reached 7.6607. The central bank had its monetary policy meeting and surprisingly decided to raise the interest rate by 2% to slow down the lira's raise.

As the dollar appreciated considerably, gold experienced its steepest weekly fall in half a year, 4.6%, to close at 1,860.05. To the detriment of gold, the dollar has appeared as a better solution to investors looking for a way to safeguard their money ahead of an uncertain period.