

United States

Last week the S&P 500 went up by 0.44% and closed at 3,348.44, whilst Dow Jones registered a weekly gain of 1.17%, finishing at 27,682.81. Hopes for another coronavirus-relief bill contributed to the recovery of the market after having four consecutive weeks of bearish trend. The NASDAQ composite closed at 11,075.02, down by 0.08% week on week. Apple and Tesla shares experienced losses by more than 3% and 7%, respectively.

Volatility rose across financial markets as investors awaited for a chaotic debate between President Donald Trump and his democratic rival Joe Biden.

The week ended with a choppy trading day after the announcement of President Donald Trump and the First Lady testing positive for coronavirus, weeks ahead of the US presidential election. Treasuries showed signs of weakening as investors carefully followed news on the president, along with talks of a possible stimulus package.

On the currency side, the EUR/USD closed at 1.1716, with a weekly rise of 0.64%. The dollar index, which reflects the performance of the dollar against its major peers, ended the week at 93.81 on Friday, registering a weekly fall of 0.78%. 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, though its value went down.

On the economic front, the US economy added 661,000 jobs, showcasing positive labor-market improvements and marking a better than expected unemployment rate of 7.9%. Although, firms in hard-hit sectors have announced future layoffs, such as Disney and major airlines (American, U.S. and United Airways)

Europe

The Euro Stoxx 50 closed at 3,190.93, and increased by 1.48%, as the market developed a positive attitude towards ECB policy implementation.

The eurozone has had its first two consecutive months of deflation since 2016. Therefore, many economists forecast the ECB to enlarge the size of its emergency bond-buying programme of €1.5tn in December, when new economic forecasts will be published, including the inflation expectations.

The ECB published a report outlining the possible scenarios that could require issuing a digital euro: disruption to the existing payment system due to the pandemic or cyber attacks, a higher demand for

“risk-free digital means of payments”. In order to mitigate the effects on the banking system, ECB proposes to limit the number of digital euros held by accounts and “remunerating digital euro holding at a variable rate over time, possibly using a tiered remuneration system”.

On the currency side in Europe, EUR/SEK closed at 10.4708, whilst the EUR/NOK closed at 10.9132. Furthermore, the USD/CZK rose by 1.39% on Friday after the news of the government declaring a 30-day state of emergency effective as of October 5th, in an attempt to stem the rising infection rates.

UK

The FTSE 100 rose by 1.02% and reached 5,902.12 at the end of this week. The index variation follows the news about the lockdown policies and Brexit negotiations. Many market analysts have compared UK stocks to become more and more akin to those in emerging markets, considering the political uncertainty and volatility in the market.

On the currency side, GBP/USD reached 1.2935 at the end of the week. After sweeping lower through most of September, sterling rallied after an interview with Sir Dave Ramsden, the BoE’s deputy governor, stating “not about to use negative interest rates imminently”.

A rather more positive tone to the Brexit trade negotiations bolstered the currency ahead of the meeting in Brussels. However, after the UK failed to meet its deadline on removing offending articles from the agreement, Brussels has taken legal action against the UK government. Sterling rallied on Friday with further assurance of Brussels and London reaching towards securing a deal. The currency is expected to be highly volatile as investors are anticipating further news regarding the state of Brexit trade negotiations.

Rest of the World

Japan’s Nikkei225 was down 1.55%, closing at 23,029.90, while the Topix index dropped to 1,609.22 with a weekly loss of 2.25%. The Tokyo Stock Exchange experienced a hardware glitch that caused equity trading to be suspended for a full day in the worst outage, eversince the world’s third-biggest bourse moved to a fully electronic system in 1999. After all orders placed on Thursday were declared invalid, Topix resumed trading from the Wednesday closing price. The first couple of minutes showed hit high as 0.8%, but went downhill after the President’s tweet. Investors seem to be giving the TSE the benefit of the doubt by assuming this was a one-off event.

China's CSI 300 composite index closed at 4,587.40, an increase of 0.11% w/w, while Hang Seng reached 23,459.05, rising roughly 0.75%.

After the President's coronavirus tweet, gold broke free of the correlation between equities and advanced above 1.910 and closed the week at 1,898.70, rising by 2.13%.