

GLOBAL MARKET UPDATE

Fasten your seatbelts: America votes

The US' economy recovered more than 80% of its decline, driven by a bounce in consumer spending and a pick-up in housing activity, according to the latest GDP report. Real GDP rose 7.4% quarter-on-quarter in 3Q20 (following a 9% QoQ drop in 2Q20), which translated into a 2.9% decline in annual comparison (an improvement compared with the 9% YoY contraction seen in 2Q20). Going forward, developments in the labour market will be key for future GDP growth. The downside risks stemming from a weak jobs market could be mitigated by another economic relief bill - the timing of which remains unclear.

America votes on the 3rd November. Just a day before the US Presidential elections, former Vice President Biden maintains an 8-point nationwide lead over President Trump, according to the latest Reuters/Ipsos poll taken 27-29th October. Reuters/Ipsos polls also show that over 75% of American voters are concerned about the health crisis and almost 60% disapprove of the way President Trump has been handling it. According to various state polls, Mr Biden is more likely to win some of the swing states like Michigan, Wisconsin, Arizona and Pennsylvania (57 electoral college votes in total), whilst Florida and Texas remain too close to call (67 electoral college votes in total).

If the US Presidential election was not enough, markets will need to digest a barrage of economic data releases, such as the release of the October US jobs market figures on Wednesday and Friday, and the Federal Reserve's latest monetary policy decision

THIS WEEK'S GLOBAL EQUITY MARKET MOVERS

DEVELOPED	
Top 3	Japan -2.22% Ireland -3.86% New Zealand -4.14%
Bottom 3	Germany -10.13% Norway -8.52% Italy -8.51%
EMERGING	
Top 3	Abu Dhabi 2.27% Indonesia 0.45% Dubai 0.11%
Bottom 3	Turkey -11.18% Poland -10.24% Brazil -9.33%
FRONTIER	
Top 3	Kuwait 8.67% Nigeria 5.23% Morocco 0.02%
Bottom 3	Argentina -13.95% Lithuania -7.15% Slovenia -5.26%

just after the election is concluded.

UNITED STATES

Stock markets in the US had a rough week, **as investors sentiment turned risk-averse**, due to a record high number of coronavirus cases in the US, renewed lockdowns in Europe weighing on growth prospects and a mixed bag of earnings reports from big tech companies. As a consequence, **most of the broad stock indices declined by the end of Friday**: the Nasdaq Composite was down 5.5%, the S&P 500 decreased 5.6% and the Russell 2000 declined 6.2%. As risk-aversion intensified, **the dollar strengthened on a broad basis** (the DXY index rose 1.4% during the week).

EUROPE

European stock markets faced a challenging week, **due to the intensifying global risk aversion** triggered by the worsening economic outlook, as many European governments opted for lockdown measures. By the end of Friday, regional stock indices registered steep declines: the German DAX was down 10.1%, the French benchmark declined 8% and the UK's FTSE 100 decreased 5.5% (all in USD). In Emerging Europe, the Polish index fell 10.2% (in USD) during the week.

The European Central Bank (ECB) kept the deposit rate stable at -0.50% and committed to the recalibration of its instruments in December, such as the EUR 1.35tn pandemic-related asset purchase programme, which continues (at least) until June 2021.

Consumer price inflation in Poland slowed to 3% YoY in October, from 3.2% YoY in the previous month. The lowering of the headline gauge was mainly due to decelerating food price inflation.

ASIA PACIFIC

The deterioration of investor sentiment in developed markets spilt over into Asian markets and as a consequence the vast majority of the regional stock indices finished the week in the red. Indonesia was one of the brightest spots within the region, as the country stock index rose 0.5% in USD despite the adverse context, which brought the index's overall gain in October to 6.7% in USD, just shy of the Philippine benchmark's 7.7% increase (in USD). Ant Group's initial public offering attracted a record USD 2.84tn in bids from investors on the Shanghai side.

The Chinese Communist Party released the 14th Five Year Plan in which the Party sets the main guidelines in terms of policy priorities. The word '*quality*' became the Chinese government's new buzzword: high-quality growth, higher-quality employment, high quality development, etc. As opposed to previous plans, the latest one emphasises technological progress, innovation, modernisation, rural development and green solutions.

Rural wage growth in India accelerated to 8.7% YoY in June. More importantly, **rural wages in real terms grew 1.3% YoY in June**, as wage growth both in the agricultural and non-agricultural sectors exceeded inflation – signalling the strength of economic activity in rural India. The second quarter of 2020 was the first time since 3Q19, when real rural wage growth turned positive.

Vietnam released its set of macro metrics for October:

- Retail sales growth further improved and reached 1.3% YoY YTD
- Industrial production growth accelerated to 5.4% YoY
- Exports grew 9.9% YoY, whilst imports growth reached 10.1% YoY resulting in a sizable USD 2.2bn foreign trade surplus
- CPI inflation moderated to 2.5% YoY

The overall report is encouraging, particularly industrial production and exports. Details suggest that the gradual economic recovery remained intact in October.

The South Korean economy bounced in 3Q20, when real GDP rose 1.9% compared with the previous quarter. Although economic activity strengthened in a quarterly comparison, the QoQ growth translated into a 1.3% decline in annual comparison. Household spending broadly stagnated (in QoQ comparison), as it was constrained by stricter social distancing measures (between 15th August and 11th October). Meanwhile, investment and construction activities declined. On the other hand, net foreign trade surged and thus contributed positively in 3Q20, primarily led by auto and semiconductor exports.

The Taiwanese economy roared ahead, as real GDP rose 3.3% YoY in 3Q20, following a 0.6% YoY contraction in the previous quarter. Although the headline figure looks impressive, details reveal that the upswing was predominantly driven by net foreign trade, as exports strongly bounced (+3.5% YoY), whilst imports continued to decline (-1.8% YoY).

Thailand's BBB+ credit rating and stable outlook was affirmed by Fitch. According to the agency, Thai real GDP will shrink 7.8% in full-year 2020, due to weak global growth and the absence of tourists. The recession is expected to be followed by a shallow recovery 2021, when real GDP growth may be 3.8%.

LATIN AMERICA

Harmful volatility weighed on Latin American stock markets during the week and drove most of the regional indices south. Relative to its regional peers, the Peruvian country index proved to be the most defensive, as the benchmark decline 3.5% in USD, as opposed to others, such as Mexico (-6.1% in USD) or Brazil (-9.4% in USD).

The central bank in Brazil kept the key policy rate stable at 2%. The tone of the post-decision statement by the Monetary Policy Council remained dovish suggesting that the current macro environment and growth projection call for the maintenance of the 2% interest rate for a prolonged period. However, members emphasised that their current assessment might be overridden by any – unexpected – change to the fiscal stance, which is not factored in the central bank’s current macro forecast.

Although Mexican GDP bounced 12% QoQ in 3Q20 from the lows seen in in the previous quarter, the level of actual output remains 8.6% below where it was a year ago. The sequential quarter-on-quarter improvement was primarily led by industrial production and secondarily by services activities, as the economy started to gradually normalise after the shutdown of non-essential sectors in April and May.

Chile published a couple of promising macro statistics for the month of September, when **industrial production bounced to 1.9% YoY** (up from -4.8% YoY in August) and **retail sales growth accelerated to 9.5% YoY** (up from 2.8% YoY in August). Furthermore, unemployment rate declined to 12.3%, down from above 13%. The recovery in demand will likely continue as the country slowly reopens and as the government’s USD 2bn job subsidy scheme is disbursed to businesses.

Credit rating agency S&P re-affirmed Colombia’s credit rating at BBB-, the last notch in the investment grade category. Furthermore, S&P kept the outlook negative reflecting on the risks related to the sharp economic contraction in 2020 and the shallow recovery expected for 2021. The agency made it clear that Colombia’s credit rating will be moved to ‘junk’ unless the government consolidates the fiscal accounts.

AFRICA

The South African TOP 40 index declined 6.7% in USD during the week, as investors retreated from the country’s stock market. Local investor sentiment was strongly influenced by the deterioration of global investor sentiment as well as by idiosyncratic issues (such as a bleak growth outlook and a lack of appropriate policy response). Meanwhile, the Egyptian Hermes index declined 1.2%, whilst the Moroccan index decreased 0.2% (all in USD) by the end of Friday.

The government in South Africa presented the Medium Term Budget Policy Statement (MTBPS), in which it was made clear the **no ambitious fiscal consolidation**

would take place in the coming years. According to the projections, gross public debt would stabilise around 95% of GDP in FY2025-26, barely below the 100%-mark. Overall, the government expects real GDP to contract 7.8% in 2020, followed by an average 2.2% rate of GDP growth over the next three years. Later during the week, **the Finance Minister stated that he has been negotiating with the World Bank for loan.**

CPI inflation in South Africa was 3% YoY in September, hovering at the lower end of the central bank’s 3-6% inflation target band. Overall, inflationary pressures remain limited in the South African economy, due to the large negative output gap, which is unlikely to close in the near term. As long as inflationary pressures remain benign, the central bank will not consider raising the key interest rate, which is currently at 3.50%.

THE WEEK A HEAD

UNITED STATES	DATE	CONSENSUS
ISM manufacturing (Oct)	Mon/02	55.6
ADP employment (Oct)	Wed/04	688,000
Fed: monetary policy decision	Thu/05	
Jobs report (Oct)	Fri/06	

EUROPE	DATE	CONSENSUS
Poland: interest rate decision	Wed/04	0.10%
UK: interest rate decision	Thu/05	0.10%
Eurozone: retail sales (Sep) YoY	Thu/05	2.7%
Russia: CPI inflation (Oct) YoY	Fri/06	4.0%

ASIA PACIFIC	DATE	CONSENSUS
China, India, ASEAN: Markit manufacturing PMI (Oct)	Mon/02	
Malaysia: interest rate decision	Tue/03	1.75%
China: Caixin services PMI (Oct)	Wed/04	55.0
Indonesia: GDP growth (3Q20) YoY	Thu/05	-3.5%

LATIN AMERICA	DATE	CONSENSUS
Chile: economic activity (Sep) YoY	Mon/02	
Brazil and Mexico: Markit manufacturing PMI (Oct)	Tue/03	

AFRICA	DATE	CONSENSUS
Egypt: IHS Markit PMI (Oct)	Tue/03	
South Africa: Standard Bank PMI (Oct)	Wed/04	

GLOBAL MARKET DATA

26 OCTOBER - 1 NOVEMBER

Market Summary

Data:

Last Calendar Week

Equities				Return (USD)				
Name	BBG Code	Country	Price	1 Week	MTD	3M	YTD	1Y
North America and Developed Europe								
S&P 500 INDEX	SPX Index	US	3,269.96	-5.64%	-2.77%	-0.04%	1.21%	7.65%
RUSSELL 2000 INDEX	RTY Index	US	1,538.48	-6.22%	2.04%	3.92%	-7.79%	-1.53%
NASDAQ COMPOSITE	CCMP Index	US	10,911.59	-5.51%	-2.29%	1.55%	21.61%	31.59%
Euro Stoxx 50 Pr	SX5E Index	Europe	2,958.21	-9.06%	-7.97%	-7.95%	-18.08%	-14.25%
FTSE 100 INDEX	UKX Index	UK	5,577.27	-5.49%	-4.70%	-6.57%	-27.84%	-23.03%
Asia Pacific								
NIKKEI 225	NKY Index	Japan	22,977.13	-2.22%	-0.07%	7.03%	1.05%	3.40%
S&P/ASX 200 INDEX	AS51 Index	Australia	5,927.58	-5.23%	-0.24%	-1.78%	-11.38%	-9.35%
Straits Times Index STI	STI Index	Singapore	2,423.84	-5.05%	-1.87%	-3.66%	-26.01%	-25.27%
HANG SENG INDEX	HSI Index	Hong Kong	24,107.42	-3.31%	2.71%	-2.03%	-14.09%	-9.43%
SHANGHAI SE COMPOSITE	SHCOMP Index	China "A"	3,224.53	-1.71%	1.68%	1.54%	10.00%	15.79%
HANG SENG CHINA ENT INDX	HSCEI Index	China "H"	9,760.24	-3.66%	3.81%	-2.83%	-12.21%	-6.33%
Nifty 50	NIFTY Index	India	11,642.40	-3.39%	2.10%	5.61%	-8.64%	-6.61%
TAIWAN TAIEX INDEX	TWSE Index	Taiwan	12,546.34	-2.63%	1.77%	1.81%	9.44%	17.83%
KOSPI INDEX	KOSPI Index	Korea	2,267.15	-4.63%	0.02%	5.81%	4.87%	11.87%
JAKARTA COMPOSITE INDEX	JCI Index	Indonesia	5,128.23	0.45%	6.67%	-0.12%	-22.79%	-20.97%
PSEI - PHILIPPINE SE IDX	PCOMP Index	Philippines	6,324.00	-2.78%	7.65%	7.77%	-15.28%	-17.00%
STOCK EXCH OF THAI INDEX	SET Index	Thailand	1,194.95	-1.10%	-2.12%	-9.85%	-27.32%	-27.75%
FTSE Bursa Malaysia KLCI	FBMKLCI Index	Malaysia	1,466.89	-1.76%	-2.49%	-6.64%	-9.07%	-7.64%
HO CHI MINH STOCK INDEX	VNINDEX Index	Vietnam	925.47	-3.71%	2.28%	15.87%	-3.71%	-7.25%
KSE-100 INDEX	KSE100 Index	Pakistan	39,888.00	-2.78%	1.57%	6.04%	-5.55%	13.03%
DSE 30 Index	DS30 Index	Bangladesh	1,700.02	-0.75%	-0.96%	18.28%	11.10%	3.17%
Latin America								
BRAZIL IBx INDEX	IBX Index	Brazil	39,975.69	-9.21%	-2.53%	-17.01%	-42.63%	-37.70%
S&P/BMV IPC	MEXBOL Index	Mexico	36,987.86	-6.08%	2.33%	4.63%	-24.57%	-22.85%
S&P MERVAL TR ARS	MERVAL Index	Argentina	45,290.02	-13.95%	6.75%	-15.11%	-16.89%	-1.44%
S&P/CLX IPSA (CLP) TR	IPSA Index	Chile	3,539.92	-6.52%	-1.19%	-13.55%	-26.26%	-28.79%
S&P/BVLPeruGeneralTRPEN	SPBPLGPT Index	Peru	17,472.20	-3.47%	-3.08%	-2.53%	-22.04%	-18.75%
COLOMBIA COLCAP INDEX	COLCAP Index	Colombia	1,136.75	-5.32%	-3.64%	-3.35%	-41.97%	-39.23%
Emerging Europe, Middle East and Africa								
WIG 20	WIG20 Index	Poland	1,515.97	-10.26%	-13.75%	-18.98%	-32.48%	-33.37%
MOEX Russia Index	IMOEX Index	Russia	2,690.59	-8.24%	-9.54%	-13.60%	-31.09%	-25.00%
FTSE/JSE AFRICA TOP40 IX	TOP40 Index	South Africa	47,472.92	-6.66%	-2.74%	-3.33%	-19.78%	-12.36%
EGYPT HERMES INDEX	HERMES Index	Egypt	1,053.25	-1.19%	-1.33%	5.58%	-15.45%	-18.63%
MASI Free Float Index	MOSENEW Index	Morocco	10,460.66	-0.18%	5.41%	4.01%	-10.56%	-4.61%
NIGERIA STCK EXC ALL SHR	NGSEINDX Index	Nigeria	30,530.69	5.23%	12.67%	24.95%	7.62%	8.93%
DFM GENERAL INDEX	DFMGI Index	Dubai	2,152.40	0.11%	-3.77%	6.68%	-20.87%	-20.35%

FX (vs USD)				Return +ive=USD Stronger				
Name	BBG Code	Country	Price	1 Week	MTD	3M	YTD	1Y
DOLLAR INDEX SPOT	DXY Index	USD Index	94.04	1.37%	0.16%	0.74%	-2.44%	-3.40%
USD-EUR X-RATE	USDEUR Curncy	Europe	0.86	1.71%	0.66%	1.25%	-3.58%	-4.28%
USD-GBP X-RATE	USDGBP Curncy	Russia	0.77	0.68%	-0.25%	1.21%	2.49%	-0.03%
USD-AUD X-RATE	USDAUD Curncy	Turkey	1.42	1.42%	2.16%	1.79%	0.06%	-1.88%
USD-JPY X-RATE	USDJPY Curncy	UK	104.66	-0.08%	-0.82%	-1.11%	-3.61%	-3.07%
Bloomberg JPMorgan Asia Dollar	ADX Index	Asia USD Index	106.46	-0.19%	1.02%	2.81%	1.24%	2.35%
USD-CNY X-RATE	USDCNY Curncy	Australia	6.69	0.08%	-1.45%	-4.06%	-3.89%	-4.92%
USD-INR X-RATE	USDINR Curncy	China	74.59	1.01%	1.38%	-0.45%	4.72%	4.96%
USD-TWD X-RATE	USD TWD Curncy	India	28.58	-0.10%	-1.50%	-2.70%	-4.44%	-6.25%
USD-KRW X-RATE	USD KRW Curncy	Japan	1,138.36	0.69%	-2.28%	-4.74%	-1.44%	-2.73%
USD-IDR X-RATE	USD IDR Curncy	Korea	14,781.00	0.62%	-0.54%	0.53%	6.75%	4.97%
USD-PHP X-RATE	USD PHP Curncy	Taiwan	48.56	0.32%	0.17%	-1.13%	-4.22%	-4.48%
USD-BRL X-RATE	USDBRL Curncy	Argentina	5.75	2.33%	2.03%	10.49%	43.03%	42.78%
USD-MXN X-RATE	USDMXN Curncy	Brazil	21.26	1.74%	-3.51%	-4.51%	12.62%	10.63%
USD-ARS X-RATE	USDARS Curncy	Chile	78.32	0.23%	2.82%	8.32%	30.82%	31.30%
USD-PLN X-RATE	USDPLN Curncy	Mexico	3.96	2.68%	2.62%	5.86%	4.55%	3.70%
Russian Ruble SPOT (TOM)	USD RUB Curncy	Egypt	79.46	4.10%	2.36%	6.96%	28.08%	23.96%
USD-ZAR X-RATE	USDZAR Curncy	Nigeria	16.28	0.33%	-2.46%	-4.40%	16.45%	7.97%
Commodities				Return (USD)				
WTI CRUDE FUTURE Dec20	CLA Comdty	US	35.79	-10.19%	-11.56%	-13.17%	-36.59%	-30.45%
BRENT CRUDE FUTR Jan21	COA Comdty	UK	37.94	-9.82%	-11.25%	-14.68%	-37.67%	-32.33%
Baltic Dry Index	BDIY Comdty		1,283.00	-9.33%	-25.62%	-4.96%	17.71%	-25.88%
Natural Gas Futures	NGI Comdty		3.35	12.89%	32.73%	86.44%	53.22%	27.38%
Gold Spot \$/Oz	XAU Curncy		1,879.68	-1.12%	-0.96%	-4.74%	23.44%	24.29%
Silver Spot \$/Oz	XAG Curncy		23.58	-3.86%	-1.03%	-2.25%	31.37%	30.32%
LME COPPER 3MO (\$)	LMCADS03 Comdty		6,718.50	-2.17%	0.70%	4.76%	8.82%	15.90%



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