LOM OFFSHORE FINANCIAL SERVICES

Monthly Global Market Commentary
January 20, 2020

Global Markets Continue to Rally

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Global markets continue their rally into the New Year. The S&P 500 ended the week up 1.99% while the broader MSCI World Index gained 1.61%. Gains in the MSCI World Index were largely centered around North America, Africa and the Middle East as tensions of an open regional war appeared to diminish.

Articles of Impeachment Move to the Senate

The US House of Representatives delivered the articles of impeachment to the Senate during a staged ceremony. This is expected to end in an acquittal as Republicans have remained unconvinced that the impeachment was not a politically motivated act. An unexpected consequence of the Senate trial will be that Democratic Progressive front-runners Senators Bernie Sanders and Elizabeth Warren are required to be physically present in Washington to act as jurors. This could potentially limit their ability to campaign prior to the February 3rd Iowa Democratic caucus. Joe Biden is the current front runner.

Conflict in the Middle East

Over the weekend, the Iranian government admitted to erroneously shooting down a civilian flight to Ukraine after video evidence emerged. Public outrage in Iran over the assassination of Soleimani has shifted to anger with the cover up. Iran has since cracked down on the protests, arresting 30 individuals for illegally gathering. Iran's Supreme Leader Ayatollah Khamenei has come out in support of the military.

In related news, the US military has acknowledged 11 US service members were injured during the Iran missile attack on US-bases in Iraq. This contradicted earlier statements from the White House that no injuries had occurred. The attacks were in response to the Soleimani killing. Markets appear to be unphased by this news.

Earnings Season

In more positive news, earnings season kicked off with most banks beating expectations. While the top and bottom line performance was largely positive, individual stock performance was muted. Of the laggards, the Bank of New York interim CEO cited "lower rates, a flat yield curve and low foreign exchange volatility" as the key headwinds.

Company	Earnings Date	GICS Sector Name	Returns Since Earnings
MORGAN STANLEY	1/16/2020	Financials	7.97%
BLACKROCK INC	1/15/2020	Financials	3.24%
STATE STREET CORP	1/17/2020	Financials	2.97%
GOLDMAN SACHS GROUP INC	1/15/2020	Financials	1.53%
CITIGROUP INC	1/14/2020	Financials	0.61%
JPMORGAN CHASE & CO	1/14/2020	Financials	0.56%
BANK OF AMERICA CORP	1/15/2020	Financials	-1.95%
WELLS FARGO & CO	1/14/2020	Financials	-6.35%
BANK OF NEW YORK MELLON CORP	1/16/2020	Financials	-9.51%

Yield Curve Steepens

The US Treasury announced that it would start issuing 20-year bonds in the first half of 2020. The Treasury Department is expecting strong demand for the securities as institutional investors have limited opportunities for positive yields in government securities on a global basis. The Street is expecting the yield curve to steepen on the news. For now, the response has been muted, with 30-year Treasuries gaining a little under 3 basis points but remaining slightly down from a month ago.

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Stock Market Performance

	1/13/19	W-o-W	M-o-M	Y-o-Y
DJIA	28,581	0.4%	2.0%	22.0%
S&P 500	3,233	0.4%	2.8%	27.7%
MSCI World	2,363	0.4%	2.9%	24.1%
S&P/TSX	17,052	-0.3%	0.3%	18.2%
BSX	2,404	0.8%	6.3%	21.4%
FTSE100	7,575	-0.2%	4.6%	10.8%
DAX	13,133	-0.9%	-0.3%	22.0%
CAC	6,011	0.5%	2.4%	26.9%
Nikkei	23,205	-1.9%	-0.6%	18.6%
Hang Seng	28,226	-0.3%	6.5%	10.1%
Shanghai	3,083	1.4%	5.9%	22.6%

Key Rates and Prices

Currencies	1/13/19	Month ago	Year ago
EUR	$1.12	$1.11	$1.14
GBP	$1.32	$1.31	$1.27
JPY	¥108.36	¥108.58	¥108.51
CAD	$0.77	$0.75	$0.75
CHF	$1.03	$1.01	$1.01
AUD	$0.69	$0.68	$0.71

Fixed Income

3M LIBOR	1.87	1.89	2.80
3M Treasury Bill	1.53	1.52	2.41
2Yr Treasury Note	1.56	1.62	2.50
10Yr Treasury Note	1.81	1.84	2.67
Fed Funds Rate	1.75	1.75	2.50

Commodities

Gold/oz.	1,564.88	1,460.17	1,286.05
Silver/oz.	18.11	16.58	15.70
Copper/lb.	2.78	2.72	2.68
Oil	62.98	59.20	47.96

Global Economic Calendar (January 20th - January 26th)

Tues: Jobless Claims (UK); ILO 3 Month Unemployment Rate (UK)
Wed: MBA Mortgage Applications (US); CPI (CA); Bank of Canada Rate Decision (CA)
Thurs: Initial Jobless Claims (US); All Industry Activity Index (JN)
Fri: Markit Eurozone Manufacturing PMI (ECB)