LOM OFFSHORE FINANCIAL SERVICES

Monthly Global Market Commentary
October 6, 2020

So… This Week Happened – 10/05/2020
By Peter Goodall, CFA, FRM

Global markets rallied in lockstep last week. The S&P 500 gained 1.54% while the MSCI World Index rose 1.61%. The Russell 2000 Value Index rose 5.71% as small cap value continued to regain ground on the large cap and growth sectors.

US Elections

The first Presidential debate took place last Tuesday. It was largely viewed as a disappointing event as both sides were guilty of name calling and President Trump was repeatedly talking over Joe Biden. When asked to denounce white supremacists and militias, President Trump told them to "stand back and stand by," prompting criticism from both Democrats and Republicans. At the same time, Joe Biden refused to say he supported "law and order." When asked about holding events in public without wearing masks or social distancing, President Trump indicated that there had been no cases of Coronavirus at his events and derided the opposition for frequently wearing a mask.

In other news, the President was admitted to Walter Reed hospital on Friday after he and the First Lady his wife tested positive for Coronavirus. Later news broke that he had already tested positive for the virus once but elected to move forward with a news conference until a confirmation from a second test came through. In total 11 members of the White House staff, Trump family and Republicans have since tested positive for the virus. Concerns over the President's health caused markets to fall 2% in early trading on Friday but managed to recover 1% of that loss by the end of the day.

Oddly, conflicting information about the Presidents health was coming from the White House chief of staff and the President's personal doctors. The doctors were asked about the status of President Trumps health and pressed several times on whether the President was ever put on oxygen, which the lead physician appeared to be avoiding answering directly. On Sunday, the President broke quarantine to wave at supporters from a car before returning to the hospital.

FiveThirtyEight is placing a Biden win at 81%, an increase of 4% from the prior week. I suspect this is likely overstating the likelihood of a win as Trump supporters were less vocal about their support during the last election. Part of the Monday rally appears to be on a diminished risk of a contested election.

Earnings Season

Third quarter earnings season has kicked off in earnest. 19 of the S&P 500 companies have reported so far. News has largely been better-than-expected, with a 6.05% positive average surprise in revenues and a 23.06% positive average surprise in earnings. Nike was a stand out performer, gaining 8.76% on their earnings announcement day. They have accelerated moves to selling via their online platform during lockdown.

Large oil and gas companies haven't reported yet but may be the place to watch. Smaller players in the space have shown signs of increased pressures since COVID significantly curtailed consumption, with at least one small midstream partner filing for Chapter 11 bankruptcy.

LOM OFFSHORE FINANCIAL SERVICES

Stock Market Performance

	10/6/20	W-o-W	M-o-M	Y-o-Y
DJIA	28,149	2.5%	0.1%	5.9%
S&P 500	3,409	2.2%	-0.5%	15.5%
MSCI World	2,404	1.9%	0.2%	11.6%
S&P/TSX	16,410	1.2%	1.2%	-0.2%
BSX	1,760	1.2%	-4.2%	-15.3%
FTSE100	5,952	0.9%	2.6%	-16.8%
DAX	12,893	0.5%	0.4%	7.3%
CAC	4,900	1.4%	-1.3%	-10.7%
Nikkei	23,434	-0.4%	1.0%	9.5%
Hang Seng	23,981	3.0%	-2.9%	-7.1%
Shanghai	3,218	-0.2%	-4.1%	10.8%

Key Rates and Prices

Currencies	10/6/20	Month ago	Year ago
EUR	$1.18	$1.18	$1.10
GBP	$1.29	$1.33	$1.23
JPY	¥105.62	¥106.24	¥106.94
CAD	$0.75	$0.77	$0.75
CHF	$1.09	$1.09	$1.00
AUD	$0.72	$0.73	$0.68
Fixed Income			
3M LIBOR	0.23	0.25	2.03
3M Treasury Bill	0.09	0.11	1.69
2Yr Treasury Note	0.14	0.15	1.41
10Yr Treasury Note	0.78	0.72	1.53
Fed Funds Rate	0.25	0.25	2.00
Commodities			
Gold/oz.	1,916.63	1,933.94	1,504.66
Silver/oz.	24.41	26.91	17.55
Copper/lb.	2.96	3.04	2.56
Oil	39.91	39.77	52.81

Global Economic Calendar (October 6th - October 9th)

Mon:
Tues: Redbook (US); Goods and Services Trade (US); JOLTS (US)
Wed: MBA Mortgage Applications (US); EIA Petroleum Status Report (US); Consumer Credit (US)
Thurs: Jobless Claims (US); Money Supply (US); Fed Balance Sheet (US); EIA Natural Gas Report (US)
Fri: Baker-Hughes Rig Count (US)