OFFSHORE FINANCIAL SERVICES

Monthly Global Market Commentary
September 15, 2020

The Next Tech Bubble? – 09/15/2020
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Amidst the backdrop of high valuations and weaker-than-expected macroeconomic data, global indices fell. The S&P 500 lost -2.49% while the MSCI World Index fell -1.29%. The US Treasury active curve was unchanged over the week, suggesting credit markets have little concerns about a prolonged drop in the economy.

Are We In The Next Tech Bubble?
The S&P 500 has dropped roughly 5% from the high a couple of weeks ago. The leading explanation is that technology, the largest weighting of the index is trading expensively relative to its historical average. Apple, the largest single company in the benchmark, tends to be cited as evidence of this overvaluation. The below chart of Apples price to earnings (PE) ratio shows that the company is trading at a much higher level than it had been in prior years.

A higher-level view of the industry sectors provides a bit more context. The below chart shows the current price-to-earnings as a ratio of each industry's historical average as of 9/15/2020. Values over one would indicate sectors that are trading at more expensive levels than they typically do. When we look at the levels around the last tech bubble, the info tech sector reached a P/E high of 71.24. That coincided with declining earnings in the sector, something we are not currently seeing in the tech sector.

Name	Industry Weight	Current P/E	Historical Average P/E	Current to Historical P/E
S&P 500 INFO TECH INDEX	27.82%	32.68	27.98	1.17
S&P 500 HEALTH CARE IDX	14.12%	22.16	21.05	1.05
S&P 500 CONS DISCRET IDX	11.36%	49.65	25.34	1.96
S&P 500 COMM SVC	10.97%	26.85	19.69	1.36
S&P 500 FINANCIALS INDEX	9.79%	15.39	16.26	0.95
S&P 500 INDUSTRIALS IDX	8.30%	27.67	19.56	1.41
S&P 500 CONS STAPLES IDX	7.02%	22.65	19.73	1.15
S&P 500 UTILITIES INDEX	2.98%	16.69	15.21	1.10
S&P 500 REAL ESTATE IDX	2.74%	52.93	46.58	1.14
S&P 500 MATERIALS INDEX	2.70%	29.96	22.79	1.31
S&P 500 ENERGY INDEX	2.20%	31.19	20.71	1.51

Total	29.64	23.19	1.28

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Stock Market Performance

	9/15/20	W-o-W	M-o-M	Y-o-Y
DJIA	27,968	1.7%	0.1%	2.8%
S&P 500	3,395	1.9%	0.6%	12.9%
MSCI World	2,396	1.8%	0.5%	8.6%
S&P/TSX	16,447	2.2%	-0.4%	-1.4%
BSX	1,838	0.0%	-3.9%	-11.4%
FTSE100	6,106	3.0%	0.3%	-17.1%
DAX	13,218	1.9%	2.5%	6.0%
CAC	5,068	1.9%	2.1%	-10.4%
Nikkei	23,455	0.8%	0.7%	6.7%
Hang Seng	24,733	0.4%	-1.8%	-9.6%
Shanghai	3,296	-0.6%	-1.9%	8.7%

Key Rates and Prices

Currencies	9/15/20	Month ago	Year ago
EUR	$1.18	$1.18	$1.11
GBP	$1.29	$1.31	$1.25
JPY	¥105.41	¥106.60	¥108.09
CAD	$0.76	$0.75	$0.75
CHF	$1.10	$1.10	$1.01
AUD	$0.73	$0.72	$0.69

Fixed Income

3M LIBOR	0.24	0.27	2.14
3M Treasury Bill	0.11	0.09	1.96
2Yr Treasury Note	0.14	0.15	1.80
10Yr Treasury Note	0.68	0.71	1.90
Fed Funds Rate	0.25	0.25	2.25

Commodities

Gold/oz.	1,952.11	1,945.12	1,488.53
Silver/oz.	27.09	26.45	17.44
Copper/lb.	3.08	2.89	2.71
Oil	38.30	42.01	54.85

Global Economic Calendar (September 15th - September 18th)

Mon:
Tues: Redbook (US); Industrial Production (US); Empire State Manufacturing Index (US)
Wed: MBA Mortgage Applications (US); EIA Petroleum Status Report (US); Treasury Intl Capital (US); Business Inventories (US)
Thurs: Jobless Claims (US); Money Supply (US); Fed Balance Sheet (US); EIA Natural Gas Report (US)
Fri: Baker-Hughes Rig Count (US); Consumer Sentiment (US)