August 2020

# Market Review

Global Market Strategy @ Natixis Investment Managers Solutions

## Economic & Political news

Although it has improved significantly, particularly in the US, the situation remains delicate on the health front, and on the economic front as a result. Admittedly, consumption has rebounded considerably since mid-May due to pent-up demand as households spent part of the savings they had accumulated during lockdown. Retail sales rebounded strongly in the US and Europe. The US housing market is booming, thanks to low mortgage rates and the Federal Reserve's incentive to borrow. As seen in August data, the health situation is still impacting data. Indeed, the latest PMI indices in Europe (especially in services) suggest a message of caution as cases are trend upwards again. Fortunately, death and hospitalisation rates remain much lower than during spring. Q2 GDP growth rates were in line with abysmal expectations, with -33% in the US and -43% in Europe on annualized terms, and with Spain and UK collapsing an annualized 50% and 55% respectively – the worst in Europe. On the fiscal side, as the US Congress remains in a stalemate over the 'Phase 4' fiscal package, President Trump issued executive orders to provide additional jobless aid, suspend the collection of payroll taxes, avoid evictions and assist with student-loan payments. Joe Biden kept his lead in the polls and selected California Senator Kamala Harris as his running mate. On the monetary side, central banks stood firm (Federal Reserve, European Central Bank and People's Bank of China) waiting for confirmation of the sustainability of the nascent recovery. The Federal Reserve formalized a shift towards average inflation targeting: The Fed will seek to achieve inflation that averages 2% over time. Th e most likely intention behind this change is to raise inflation expectations and steepen the yield curve to improve its monetary policy transmission mechanisms. Last but not least, Shinzo Abe, Japan's longest-serving prime minister, announced that he would be stepping down due to ongoing health issues.

## Equities

Although the month threatened to be volatile due to rising Covid19 cases, looming US elections and slower momentum in the economic recovery, the S&P500 ended August with a 5th straight week of gains and its first time ever above the 3,500 level. Over the month, the S&P500 was up 7.2% and the Stoxx 600 up 3.1%. The Nasdaq continued to outperform, advancing over 9.7% in August and currently up 32.2% YTD. Developed markets rallied 6.7%, outperforming emerging markets, which increased 2.2%. More broadly, the Dax rose by 5.1%, FTSE MIB by 2.8%, the CAC40 by 3.4% and the FTSE 100 by 1.7%. The best performing developed markets were all American: Nasdaq, the Dow Jones (+7.9%) and the S&P500.The worst performing developed market equity indices were the AEX Netherlands (+1.2%), the Swiss Market (+1.3%) and the FTSE 100 (+1.8%). The best sectors were Consumer Discretionary (+12.2%), Information Technology (+10.7%) and Industrials (+8.7%). The worst performing sectors were Utility (-1.4%), Energy (+1.7%) and Health Care (+2.1%).

## Fixed Income

Developed markets yield curves steepened as inflation expectations rose and central banks reinforced their accommodative stance. At the same time, they kept expanding their balance sheets to unprecedented levels: jointly, the Fed, the ECB, the BoJ and the PBoC's balance sheets amount to USD25.6 trillion as of August 31st, up 1.6% since the end of July. Interestingly, this month's surge was almost exclusively led by the ECB. US and EU IG spreads continued to narrow, 12bp and 13bp respectively, as did the US and EU HY spreads, narrowing 11bp and 47bp respectively. Throughout the month, US 10-year Treasury yields were up 18bp to 0.7%, Bunds up 13bp to -0.4%, OATs up 10bp to -0.1%, Gilts up 21bp to 0.3% and BTPs up 8bp to 1.1%.

## Emerging Markets

Emerging markets continued to rebound strongly thanks to strong external pent-up demand as well as a weaker USD. China's manufacturing PMI for July came in at 52.8 and industrial production grew 4.8% in July, both signalling continued expansion. On the other hand, consumption continued to lag industrial production, but retail sales posted their lowest decline since the crisis started in July, -1.1% (vs -1.8% in June). The PBoC held benchmark policy rates steady for the third straight month, the 1-year loan prime rate stands at 3.85%. The MCSI EM Index increased 2.2% and the MSCI EM ex Asia, -1.7%. The best performing emerging markets (in local currency) were the EGX 30 (+7.2%), the Saudi Arabia index (+6.7%) and the Qatar Index (+5.9%). The worst performing emerging markets were the PSA Chile index (-6.2%), the Merval index (-4.9%) and the KLCI Malaysia index (-4.8%).

## FX & Commodities

The US dollar continued to weaken against a basket of currencies as measured by the DXY index, which fell 1.3% to 92.1. The EUR appreciated 1.3% to 1.193 and GBP rose 2.2% to 1.33 against USD. More broadly, the dollar strengthened 0.1% vs JPY, 5.3% vs TRY, 5.2% vs BRL, 2.6% vs ARS and 2.5% vs CLP. It weakened vs CHF (1%), CNY (1.8%). Gold consolidated this year's gains, declining 0.4% to USD1,967 per ounce. Oil prices continued their upward trend as economies reopened, with WTI increasing 5.8% to end at USD42.6 per barrel and Brent was up 4.5% to USD45.3 per barrel. Silver spiked 15.4%, copper increased 6% and coffee surged 6%.

This material has been provided for information purposes only to investment service providers or other Professional Clients, Qualified or Institutional Investors and, when required by local regulation, only at their written request. This material must not be used with Retail Investors.

**In the E.U.** (outside of the UK and France): Provided by Natixis Investment Managers S.A. or one of its branch offices listed below. Natixis Investment Managers S.A. is a Luxembourg management company that is authorized by the Commission de Surveillance du Secteur Financier and is incorporated under Luxembourg laws and registered under n. B 115843. Registered office of Natixis Investment Managers S.A.: 2, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. Italy: Natixis Investment Managers S.A., Succursale Italiana (Bank of Italy Register of Italian Asset Management Companies no 23458.3). Registered office: Via San Clemente 1, 20122 Milan, Italy. Germany: Natixis Investment Managers S.A., Zweigniederlassung Deutschland (Registration number: HRB 88541). Registered office: Im Trutz Frankfurt 55, Westend Carrée, 7. Floor, Frankfurt am Main 60322, Germany. Netherlands: Natixis Investment Managers, Nederlands (Registration number 50774670). Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. Sweden: Natixis Investment Managers, Nordics Filial (Registration number 516405-9601 - Swedish Companies Registration Office). Registered office: Kungsgatan 48 5tr, Stockholm 111 35, Sweden. Spain: Natixis Investment Managers, Sucursal en España. Serrano n°90, 6th Floor, 28006, Madrid, Spain. Belgium: Natixis Investment Managers S.A., Belgian Branch, Louizalaan 120 Avenue Louise, 1000 Brussel/Bruxelles, Belgium.

**In France:** Provided by Natixis Investment Managers International – a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris.

**In Switzerland**: Provided for information purposes only by Natixis Investment Managers, Switzerland Sàrl, Rue du Vieux Collège 10, 1204 Geneva, Switzerland or its representative office in Zurich, Schweizergasse 6, 8001 Zürich.

**In the British Isles:** Provided by Natixis Investment Managers UK Limited which is authorised and regulated by the UK Financial Conduct Authority (register no. 190258) - registered office: Natixis Investment Managers UK Limited, One Carter Lane, London, EC4V 5ER. When permitted, the distribution of this material is intended to be made to persons as described as follows: **in the United Kingdom**: this material is intended to be communicated to and/or directed at investment professionals and professional investors only; **in Ireland**: this material is intended to be communicated to and/or directed at professional investors only; **in Guernsey**: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Guernsey Financial Services Commission; **in Jersey:** this material is intended to be communicated to and/or directed at professional investors only; **in the Isle of Man:** this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Isle of Man Financial Services Authority or insurers authorised under section 8 of the Insurance Act 2008.

**In the DIFC**: Provided in and from the DIFC financial district by Natixis Investment Managers Middle East (DIFC Branch) which is regulated by the DFSA. Related financial products or services are only available to persons who have sufficient financial experience and understanding to participate in financial markets within the DIFC, and qualify as Professional Clients or Market Counterparties as defined by the DFSA. No other Person should act upon this material. Registered office: Office 23, Level 15, The Gate Building, East Wing, DIFC, PO Box 506752, Dubai, United Arab Emirates.

**In Japan:** Provided by Natixis Investment Managers Japan Co., Ltd., Registration No.: Director-General of the Kanto Local Financial Bureau (kinsho) No. 425. Content of Business: The Company conducts discretionary asset management business and investment advisory and agency business as a Financial Instruments Business Operator. Registered address: 1-4-5, Roppongi, Minato-ku, Tokyo.

**In Taiwan**: Provided by Natixis Investment Managers Securities Investment Consulting (Taipei) Co., Ltd., a Securities Investment Consulting Enterprise regulated by the Financial Supervisory Commission of the R.O.C. Registered address: 34F., No. 68, Sec. 5, Zhongxiao East Road, Xinyi Dist., Taipei City 11065, Taiwan (R.O.C.), license number 2018 FSC SICE No. 024, Tel. +886 2 8789 2788.

**In Singapore:** Provided by Natixis Investment Managers Singapore (name registration no. 53102724D) to distributors and institutional investors for informational purposes only. Natixis Investment Managers Singapore is a division of Ostrum Asset Management Asia Limited (company registration no. 199801044D). Registered address of Natixis Investment Managers Singapore: 5 Shenton Way, #22-05 UIC Building, Singapore 068808.

**In Hong Kong**: Provided by Natixis Investment Managers Hong Kong Limited to institutional/ corporate professional investors only.

**In Australia:** Provided by Natixis Investment Managers Australia Pty Limited (ABN 60 088 786 289) (AFSL No. 246830) and is intended for the general information of financial advisers and wholesale clients only.

**In New Zealand**: This document is intended for the general information of New Zealand wholesale investors only and does not constitute financial advice. This is not a regulated offer for the purposes of the Financial Markets Conduct Act 2013 (FMCA) and is only available to New Zealand investors who have certified that they meet the requirements in the FMCA for wholesale investors. Natixis Investment Managers Australia Pty Limited is not a registered financial service provider in New Zealand.

**In Latin America**: Provided by Natixis Investment Managers S.A. **In Uruguay:** Provided by Natixis Investment Managers Uruguay S.A., a duly registered investment advisor, authorised and supervised by the Central Bank of Uruguay. Office: San Lucar 1491, Montevideo, Uruguay, CP 11500. The sale or offer of any units of a fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627. **In Colombia:** Provided by Natixis Investment Managers S.A. Oficina de Representación (Colombia) to professional clients for informational purposes only as permitted under Decree 2555 of 2010. Any products, services or investments referred to herein are rendered exclusively outside of Colombia. This material does not constitute a public offering in Colombia and is addressed to less than 100 specifically identified investors.

**In Mexico** Provided by Natixis IM Mexico, S. de R.L. de C.V., which is not a regulated financial entity, securities intermediary, or an investment manager in terms of the Mexican Securities Market Law (Ley del Mercado de Valores) and is not registered with the Comisión Nacional Bancaria y de Valores (CNBV) or any other Mexican authority. Any products, services or investments referred to herein that require authorization or license are rendered exclusively outside of Mexico. While shares of certain ETFs may be listed in the Sistema Internacional de Cotizaciones (SIC), such listing does not represent a public offering of securities in Mexico, and therefore the accuracy of this information has not been confirmed by the CNBV. Natixis Investment Managers is an entity organized under the laws of France and is not authorized by or registered with the CNBV or any other Mexican authority. Any reference contained herein to "Investment Managers" is made to Natixis Investment Managers and/or any of its investment management subsidiaries, which are also not authorized by or registered with the CNBV or any other Mexican authority.

The above referenced entities are business development units of Natixis Investment Managers, the holding company of a diverse line-up of specialised investment management and distribution entities worldwide. The investment management subsidiaries of Natixis Investment Managers conduct any regulated activities only in and from the jurisdictions in which they are licensed or authorized. Their services and the products they manage are not available to all investors in all jurisdictions. It is the responsibility of each investment service provider to ensure that the offering or sale of fund shares or third-party investment services to its clients complies with the relevant national law.

The provision of this material and/or reference to specific securities, sectors, or markets within this material does not constitute investment advice, or a recommendation or an offer to buy or to sell any security, or an offer of any regulated financial activity. Investors should consider the investment objectives, risks and expenses of any investment carefully before investing. The analyses, opinions, and certain of the investment themes and processes referenced herein represent the views of the portfolio manager(s) as of the date indicated. These, as well as the portfolio holdings and characteristics shown, are subject to change. There can be no assurance that developments will transpire as may be forecasted in this material. Past performance information presented is not indicative of future performance. Although Natixis Investment Managers believes the information provided in this material to be reliable, including that from third party sources, it does not guarantee the accuracy, adequacy, or completeness of such information. This material may not be distributed, published, or reproduced, in whole or in part. All amounts shown are expressed in USD unless otherwise indicated.

**NATIXIS INVESTMENT MANAGERS**
RCS Paris 453 952 681 - Capital : €178 251 690
43, Avenue Pierre Mendès-France, 75013 Paris
www.im.natixis.com

**NATIXIS INVESTMENT MANAGERS INTERNATIONAL**
Limited company with a share capital of 51 371 060.28 euros
Trade register n° 329 450 738 Paris Authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009.
Registered office: 43, avenue Pierre Mendès-France - 75013 Paris
www.im.natixis.com