3 August 2020



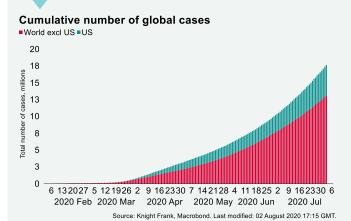
## Summary

- **COVID-19:** The total number of recorded cases globally has now surpassed 18 million, up by one million in four days, according to Johns Hopkins University & Medicine. There have been 690k reported deaths.
- **Equities:** In Europe, the STOXX 600 is up (+0.3%), as is the DAX (+1.0%) and the CAC 40 (+0.2%). However, the FTSE 250 is down by -0.4%. In the US, futures for the S&P 500 and the Dow Jones Industrial Average are down -0.1% and -0.3%. In Asia, the Topix (+1.8%), CSI 300 (+1.6%) and Kospi (+0.1%) all closed up, while the Hang Seng was down (-0.6%) and the S&P / ASX 200 remained flat.
- VIX: The CBOE market volatility index and the Euro Stoxx 50 volatility price index are up over the morning by +0.9% and +0.8% to 27.1 and 26.9, respectively. Both indices remain above their long term averages, indicating further expectations of near-term volatility.
- **Bonds:** The UK 10-year gilt yield declined to its lowest level on record on Friday, falling to 0.07% and breaching the previous March low. However, the yield has since increased and currently sits at 0.10%. The US 10-year treasury yield and the German 10-year bund yield have also both softened by +1bp to 0.54% and -0.53%. The Italian 10year bond yield is currently 1.11%, +7.8% on the 1.03% prior week low.
- **Currency:** The euro has slightly depreciated to \$1.18, while sterling remains at \$1.31. Hedging benefits for US dollar denominated investors into the UK and the eurozone are 0.29% and 1.06% per annum on a five-year basis.
- **Baltic Dry:** The Baltic Dry index increased for the third consecutive session on Friday, up +0.1% to 1,350. The index is 24% above where it was in January, albeit, it is -31% lower than recent highs of 1,956 in early July.
- Oil: Brent Crude and the West Texas Intermediate (WTI) are both down -0.5% over the morning to \$43.07 per barrel and \$40.05 per barrel, respectively.
- **Gold:** The price of gold appreciated by +1% on Friday, to a record high of \$1,975 per troy ounce. This price is +29% higher than it was in January.



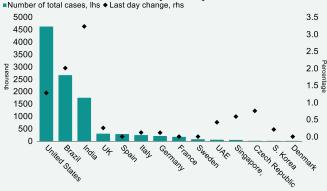


COVID-19



The number of total confirmed cases reached 17.7 million on the 2 August, an increase of 264k new cases over the day prior.

## Cumulative number of cases by country



Source: Knight Frank, Macrobond. Last modified: 02 August 2020 00:00 GMT.

The chart presents the number of cumulative cases (left axis) and the percentage change of new cases against the day before (right axis).

### Volatility Index



The CBOE VIX (colloquially known as the Investor fear gauge) is an indication of near term S&P 500 stock price volatility based on underlying options.

## Gold and non-ferrous metals price, USD



	31 Jul	D/D (%)	YTD (%)
Gold, USD	1975	0.2	30.2
Non-Ferrous Metals, USD	108	<b>-</b> 0.5	-2.4

### Brent Crude and West Texas Intermediate oil price

-Brent Crude -West Texas Intermediate (WTI)



Source: Knight Frank, Macrobond. Last modified: 02 August 2020 23:10 GMT.

Brent crude monitors the level of demand for raw materials and is a measure of economic activity. Lately also influenced by Saudi-Russia price war.

### Baltic Dry Index (BDI)

-World, Baltic Exchange, Shipping, Dry Index (BDI), USD 2000



Source: Knight Frank, Macrobond. Last modified: 31 July 2020 13:30 GMT.

Baltic Dry Index is a measure of what it costs to ship raw materials and is a leading indicator of global demand. A lower value means lower demand.

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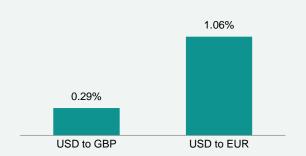
### Bonds and currencies

### 10y Government Bond Yield (%) -US -UK -Germany -Italy 4.0 3.0 -1.0 2016 2019 2020 2017 2018 31 Jul 1 d ago 1st Jan Germany -0.57-0.55-0.19 Italy 1.07 0.97 1.40 UK 0.14 0.13 0.74 US 0.55 0.55 1.92

### **FX Spot Rates** -EUR per GBP -USD per GBP 1.50 \$1.30 on the 31 July versus \$1.30 the day prior, a 0.8% change 1.45 1.40 1.35 1.30 1.25 1.20 1.15 1.10 1.05 2016 2017 2018 2019 2020

	31 Jul	1 d ago	1st Jan
EUR per GBP	1.11	1.10	1.18
USD per GBP	1.30	1.30	1.32

### Currency hedging benefit p.a. based on a five year forward



Source: Knight Frank, Investing.com

Approximate additional return per annum that dollar denominated investors may obtain based on five year currency hedge.

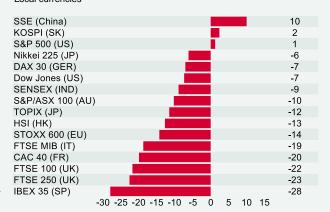
### Equity and REIT

## Equity performance: since previous cycle (1st Jan 2007 = 100)

-FTSE 250 -DAX -S&P 500 -STOXX 600 - Hang Seng -MIB -IBEX 35 - TOPIX
250
225
200
175
150
125
100
75
50
207 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020
Source: Knight Frank, Macrobond. Last modified: 31 July 2020 19:05 GMT.

The chart presents the performance of selected equity indexes since the months prior the global financial crisis (2007).

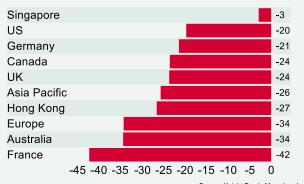
# Equity performance: YTD (%) Local currencies



Source: Knight Frank, Macrobond

## REIT performance: YTD (%)

Local currencies



Source: Knight Frank, Macrobond

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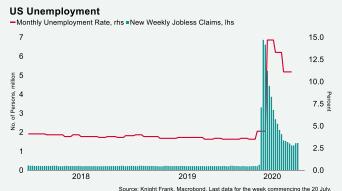
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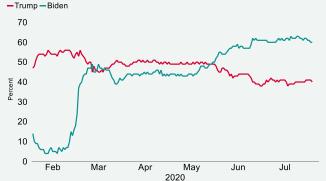
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### **US** indicators



The chart presents the number of Americans that each week file for unemployment benefits (left axis) and the overall monthly unemployment rate (right axis)

## 2020 Presidential Winner (probability of winning, %)



Source: Knight Frank, Macrobond. Last modified: 03 August 2020 05:00 GMT. 3 Aug 1 week ago 1 month ago 39% Trump 40% 40% Biden 60% 62% 61%

## Fiscal policy

UK

ΕU

### Fiscal measures details

£330bn+: Government backed loans and guarantees equivalent to 15% of UK GDP. SMEs given access to cash grants. Support for furloughed employees of 80% salary ≤£2,500 per month. Furlough scheme extended until October 2020 with employers sharing the cost from August. Taxable grant for self-employed <£50k trading profit, worth 80% of monthly profits up to £2.5k, paid as a lump sum.

\$3.0tn: 2<sup>nd</sup> package passed 23<sup>rd</sup> April, worth \$483 billon, USA increasing US stimulus to \$3 trillion (15% GDP).

> €1.35tn: This includes €240bn to the European Stability Mechanism, and €200bn in EIB guarantees. On 4th June, the ECB extended the pandemic purchase programme (PEPP) until June 2021, purchasing an additional €600bn in bonds, taking total stimulus to €1.35tn.

€750bn: a new recovery package for EU member states announced in July including €390bn in grants and €360 in interest free loans.

Germany

€880bn: The emergency aid measure approved on Monday 23<sup>rd</sup> of March. In June an additional €130bn fiscal

# stimulus programme including VAT rate cut to 16% from 19% and one off 'children's bonus' payment.

## €400bn: The stimulus announced on the 7th April €25bn: Emergency package to support businesses and families

€45bn: The aid package for SMEs and other hard-hit sectors announced by the French government on 17th of March. Includes deferred corporate tax, social security charges and two months state payments to laid off workers.

€300bn: government backed loans.

€200bn: the aid package includes government loan guarantees to ensure liquidity for SMEs (the government said it would provide businesses with "all the liquidity they need"), other government commitments and private money.

\$2.2tn: Further stimulus announced in late May added \$1.1 trillion to the country's stimulus package, bringing total stimulus to \$2.18 trillion or 40% of GDP.

Source: Knight Frank, various sources

HK\$10k for every adult citizen (c.£7bn).

### Central Banks Policy Rates

	Current Rate	Rate at 1/1/2020	YTD Change
Advanced Economies			
Australia	0.25%	0.75%	-50 bps
Canada	0.25%	1.75%	-150 bps
Euro Area	0.00%	0.00%	0 bps
France	0.00%	0.00%	0 bps
Germany	0.00%	0.00%	0 bps
Italy	0.00%	0.00%	0 bps
Sweden	0.00%	-0.25%	25 bps
Japan	-0.10%	-0.10%	0 bps
United Kingdom	0.10%	0.75%	-65 bps
United States	0.25%	1.75%	-150 bps
<b>Developing Economies</b>			
Brazil	2.25%	4.50%	-225 bps
China	4.35%	4.35%	0 bps
India	4.00%	5.15%	-115 bps
Mexico	5.00%	7.25%	-225 bps
Russia	4.25%	6.25%	-200 bps
Saudi Arabia	1.00%	2.25%	-125 bps
South Korea	0.50%	1.25%	-75 bps
Turkey	8.25%	12.00%	-375 bps

### **Central Bank Assets Purchasing Programme**

	Lastest (\$)	MoM (%)	YoY (%)	
Advanced Economies				Italy
Australia	196 bn	1.6%	64.9%	
Canada	387 bn	14.3%	335.9%	
Euro Area	7.36 tn	8.0%	40.6%	
France	1.78 tn	15.4%	40.7%	
Germany	2.58 tn	12.6%	30.1%	France
Italy	1.39 tn	9.3%	23.0%	
Sweden	139 bn	4.4%	41.2%	
Japan	6.1 tn	0.5%	15.9%	
United Kingdom	775 bn	-0.2%	-2.5%	
United States	6.95 tn	-1.3%	83.5%	
Developing Economies				Spain
Brazil	529 bn	2.6%	-4.1%	
China	5.14 tn	-0.2%	-2.7%	
India	357 bn	1.2%	32.2%	
Mexico	210 bn	-3.5%	10.3%	
Russia	631 bn	-1.8%	1.2%	Japan
Saudi Arabia	481 bn	2.9%	-7.8%	
South Korea	445 bn	2.9%	7.7%	
Turkey	106 bn	-1.1%	6.3%	Hong Ko

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Source: Knight Frank, various sources



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### Confirmed Cases Confirmed Deaths Lockdown Index Public Events Public Transport Internal Movement Workplace Schools International Travel Europe 247,832 France 187,919 30,265 Poland 46,346 1,721 Portugal 51,310 1,737 209.893 9.141 845,443 14.058 United Kingdom 303,952 46,193 288,522 28,445 Norway 9,208 255 Belgium 69.309 9.845 Bulgaria 11.836 385 Greece 4 587 206 Denmark 13 789 615 Switzerland 35,412 1,707 Ukraine 71.056 1,709 Finland 7.443 329 Czech Republic 16 699 383 Netherlands 54 732 6 148 Sweden 80.422 5.743 Americas 306.181 10.330 Colombia 116.585 8.941 Canada Argentina 191.289 3.558 United States 4.620.444 154,447 Venezuela 19,443 434,193 47,472 Mexico 2,707,877 93,563 Brazil 19,408 422,183 Africa Middle East Kenya 21,363 364 503,290 8,153 South Africa 110,911 174 United Arab Emirate 60,760 231,869 5,710 Turkey 72,283 527 Israel 306,752 16,982 Iran Iraq 126,704 1,194 Jordan 1,552 Tunisia 25,015 367 94,316 Egypt Asia Pacific Hong Kong 3,511 Singapore 52,512 36,081 1,010 Japan 109,936 5,193 445 South Kore 14.336 301 87,820 4,667 Philippines 98,232 2,039 1,750,723 37,364 Vietnam 590 Australia 17.282 200 New Zealand 1 215 22 Thailand 3 317 58 Malaysia 8,985 125 Lockdown Index key & Scale Internal movements **Public events** Public transport Workplace International travel Value Schools No Restrictions: 0 - 25 No measure No Measure No measure No measure No measure No measure Recommended Restrictions: 26 - 50 Recommended Recommended Recommended Recommended Screening Enforced Restrictions: 51 - 75 Some level of Quarantine arrivals from Highest Restrictions / Ban: 76 - 100 Required closure of schooling required to high risk regions

In line with some of the fewest reported cases and the smallest reported deaths attributed to COVID-19, Taiwan has the lowest 'lockdown index' score at 19, indicating the restrictions in place are generally recommendations and are not enforced. Countries including Iraq, Kenya and Peru have some of the highest 'lockdown index' scores.

For most countries, public transport has the most relaxed restrictions. Taiwan, Tunisia, Norway, Poland, Netherlands, Ukraine, and New Zealand are the only countries with no measures implemented on public events. Meanwhile, across the world, there is some measure of restriction on international travel. However, France and Egypt are the exceptions, where international travel is freely permitted with no measures implemented.

some sectors

but essential work

Source: Knight Frank. Macrobond. Oxford University. Last Updated: 03/08/2020

Ban on high risk regions

Total border closure

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Required closure for all All schools required to

close