

Summary

- **Equities:** In Europe stocks are lower, with declines led by the CAC 40, which is -1.0% down over the morning, followed by the FTSE 250 (-0.5%), the DAX and the STOXX 600 (both -0.4%). In Asia, the S&P / ASX 200 (-1.7%), Kospi (-0.6%) and the Topix (-0.1%) all closed lower, however, the CSI 300 was +0.2% higher on close. In the US, futures for the S&P 500 are up +0.3%.
- **VIX:** After increasing +17.8% yesterday, the CBOE market volatility index has increased a further +0.3% over the morning to 32.6. The Euro Stoxx 50 volatility index is also higher this morning, up +1.8% to 32.3, the highest the index has been since the end of June. Both indices remain elevated compared to their long term averages of 19.9 and 23.9.
- **Bonds:** The German 10-year bund yield has compressed -2bps this morning to -0.59%, while both the US 10-year treasury yield and the UK 10-year gilt yield are steady at 0.80% and 0.28%.
- **Currency:** Sterling and the euro are currently \$1.30 and \$1.18, respectively. Hedging benefits for US dollar denominated investors into the UK and the eurozone are at 0.38% and 1.24% per annum on a five-year basis.
- **Baltic Dry:** The Baltic Dry decreased for the 12th time in 14 sessions yesterday, down -0.9% to 1,402. Over the last 15 sessions, the index has seen cumulative declines of -33%, albeit the Baltic Dry remains +29% higher than it was at the beginning of the year.
- **Oil:** Despite increasing +1.3% over the morning, the West Texas Intermediate (WTI) remains below \$40 per barrel at \$39.07. Brent Crude is also up, increasing +2.1% to \$41.31 per barrel.
- **Gold:** The price of gold is currently \$1,902 per troy ounce. Gold is +24% higher than it was at the start of January, however it remains -8% lower than its record high of \$2,063 in August.

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COVID-19 Dashboard

27 October 2020

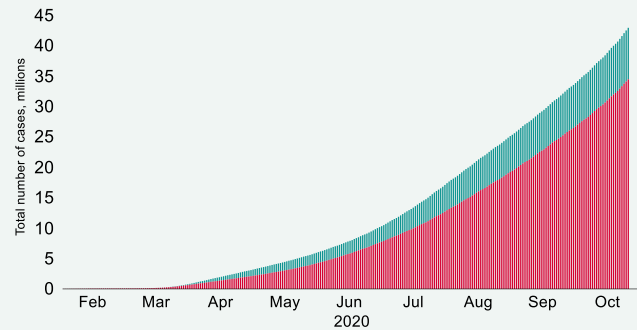


Internal and key client use only

COVID-19

Cumulative number of global cases

■ World excl US ■ US

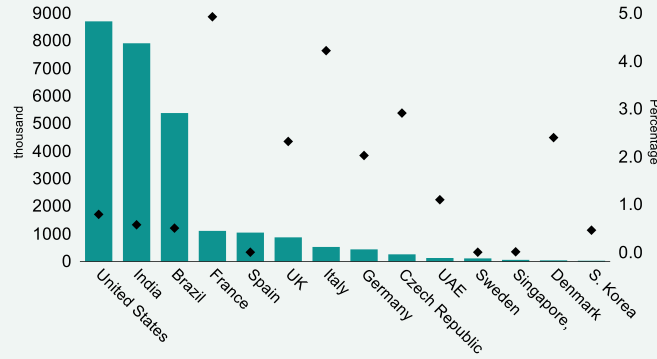


Source: Knight Frank, Macrobond. Last modified: 26 October 2020 11:41 GMT.

The number of total confirmed cases reached 43.0 million on the 26 October, an increase of 436k new cases over the day prior.

Cumulative number of cases by country

■ Number of total cases, lhs ◆ Last day change, rhs

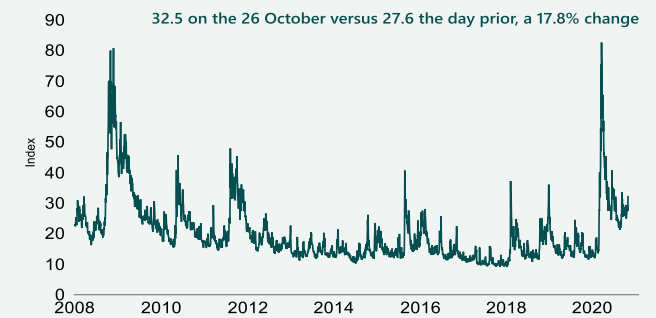


Source: Knight Frank, Macrobond.

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

— US, S&P 500 Volatility Index (VIX)



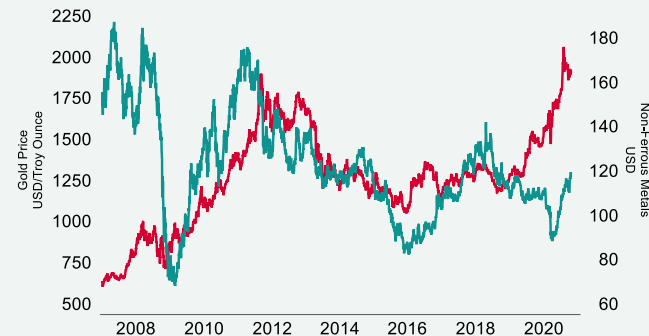
Source: Knight Frank, Macrobond. Last modified: 27 October 2020 02:15 GMT.

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.

Commodities

Gold and non-ferrous metals price, USD

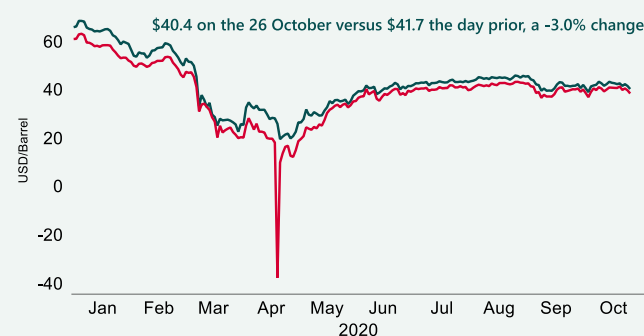
— Gold, USD, lhs — Non-Ferrous Metals Index, USD, rhs



Source: Knight Frank, Macrobond. Last modified: 26 October 2020 23:00 GMT.

Brent Crude and West Texas Intermediate oil price

— Brent Crude — West Texas Intermediate (WTI)

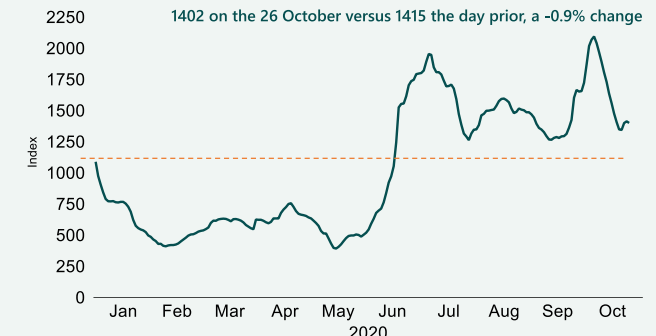


Source: Knight Frank, Macrobond. Last modified: 26 October 2020 22:10 GMT.

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



Source: Knight Frank, Macrobond. Last modified: 26 October 2020 13:00 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.

	26 Oct	D/D (%)	YTD (%)
Gold, USD	1902	-0.1	25.4
Non-Ferrous Metals, USD	119	-0.9	6.9

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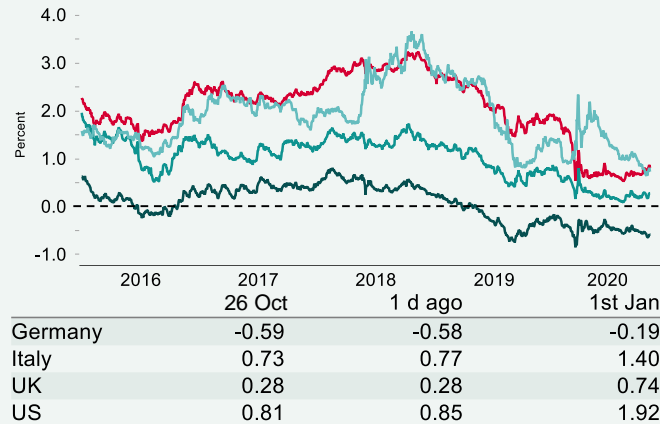
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Bonds and currencies

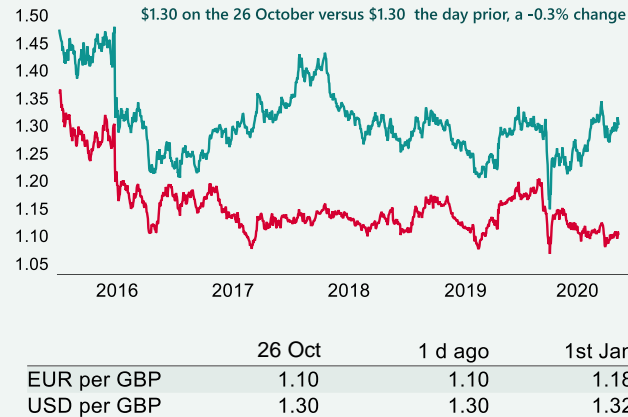
10y Government Bond Yield (%)

— US — UK — Germany — Italy

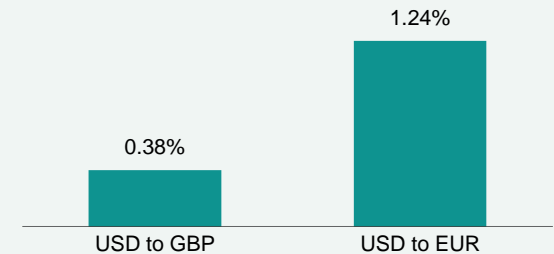


FX Spot Rates

— EUR per GBP — USD per GBP



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

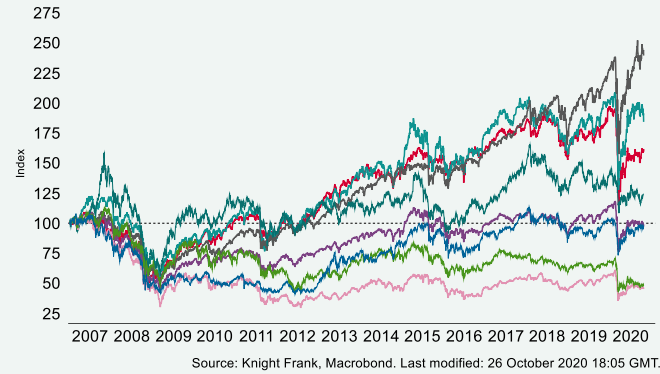


Source: Knight Frank, Investing.com
Approximate additional return per annum that dollar denominated investors may obtain based on five year currency hedge.

Equity and REIT

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

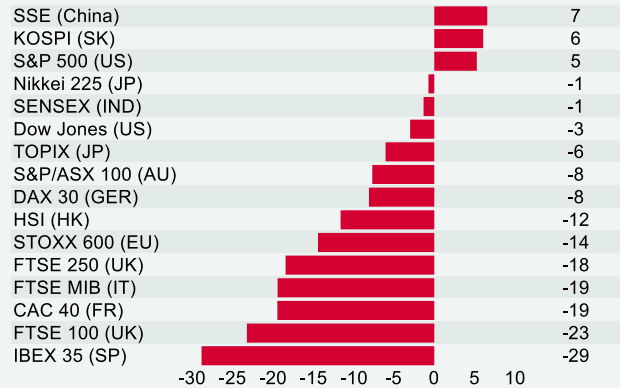
— FTSE 250 — DAX — S&P 500 — STOXX 600 — Hang Seng — MIB — IBEX 35 — TOPIX



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

Equity performance: YTD (%)

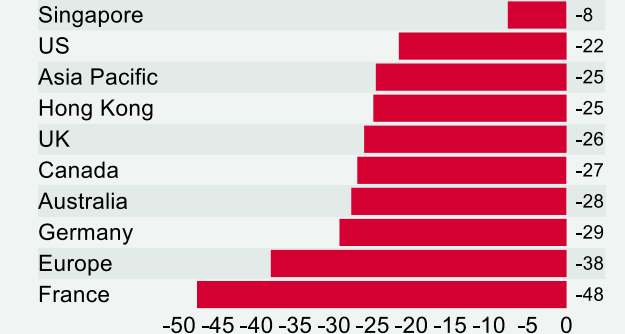
Local currencies



Source: Knight Frank, Macrobond

REIT performance: YTD (%)

Local currencies



Source: Knight Frank, Macrobond

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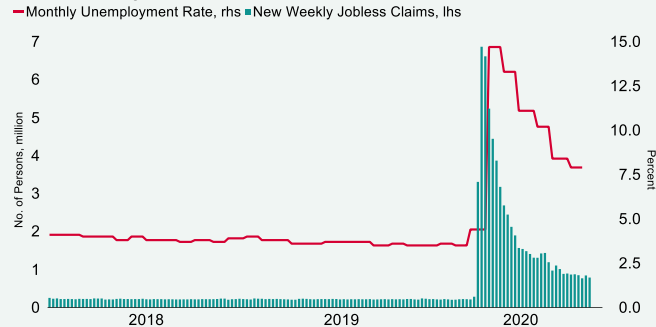
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US indicators

US Unemployment



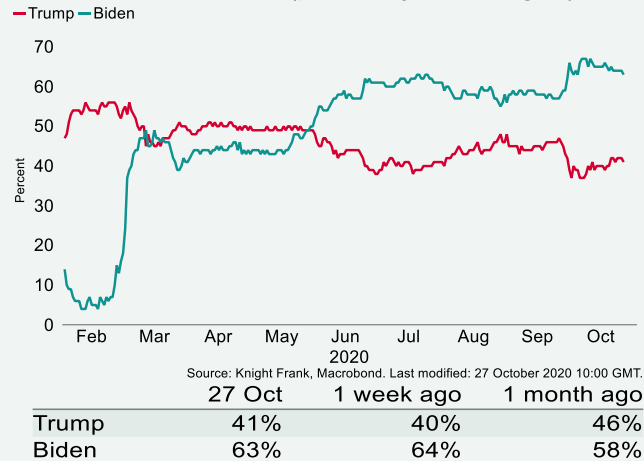
The chart presents the number of Americans that each week file for unemployment benefits (left axis) and the overall monthly unemployment rate (right axis)

Monetary policy

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
Developing Economies			
Brazil	2.00%	4.50%	-250 bps
China	4.35%	4.35%	0 bps
India	4.00%	5.15%	-115 bps
Mexico	4.25%	7.25%	-300 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	10.25%	12.00%	-175 bps

2020 Presidential Winner (probability of winning, %)



Fiscal policy

Fiscal measures details

UK	£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.
USA	\$3.0tn : 2 nd package passed 23 rd April, worth \$483 billion, increasing US stimulus to \$3 trillion (15% GDP).
EU	€1.35tn : This includes €240bn to the European Stability Mechanism, and €200bn in EIB guarantees. On 4 th 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 rd 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.
Italy	€400bn : The stimulus announced on the 7 th April €25bn : Emergency package to support businesses and families.
France	€100bn : : The stimulus announced on the 3 rd September €45bn : The aid package for SMEs and other hard-hit sectors announced by the French government on 17 th of March. Includes deferred corporate tax, social security charges and two months state payments to laid off workers. €300bn : government backed loans.
Spain	€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.
Japan	\$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.
Hong Kong	HK\$10k for every adult citizen (c.£7bn).

Source: Knight Frank, various sources

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COVID-19 Dashboard

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Timeline of Covid-19 containment measures and their stringency



This chart shows the change in severity of containment measures over time, up to the latest data. Green indicates a score of zero or no restrictions, while the darkest red indicates the highest restrictions or complete bans. Where grey, no new data is available.

Source: Knight Frank, Macrobond, Oxford University

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Overview of the severity of Covid-19 and the resulting containment measures

	Confirmed Cases	Confirmed Deaths	Lockdown Index	Internal Movement	Public Events	Public Transport	Workplace	Schools	International Travel
Europe									
Italy	525,782	37,338	50						
France	1,138,507	34,761	50						
Poland	253,688	4,438	35						
Portugal	118,686	2,316	57						
Germany	437,866	10,056	47						
Russia	1,513,877	26,050	45						
United Kingdom	873,800	44,896	66						
Spain	1,046,132	34,752	66						
Norway	17,232	279	29						
Belgium	320,937	10,810	53						
Bulgaria	37,889	1,094	35						
Greece	30,782	574	52						
Denmark	40,356	702	42						
Switzerland	103,323	1,876	35						
Ukraine	343,489	6,391	59						
Finland	14,848	353	32						
Czech Republic	258,097	2,201	48						
Netherlands	290,925	7,036	62						
Sweden	110,594	5,933	37						
Americas									
Colombia	1,015,885	30,154	66						
Canada	216,104	9,946	61						
Argentina	1,090,576	28,896	83						
United States	8,636,165	225,230	66						
Venezuela	89,565	773	88						
Mexico	891,160	88,924	72						
Brazil	5,394,128	157,134	63						
Peru	888,715	34,149	82						
Africa Middle East									
Kenya	49,721	902	65						
South Africa	715,868	18,968	40						
Qatar	131,170	230	65						
United Arab Emirates	125,123	477	53						
Turkey	361,801	9,799	68						
Israel	310,148	2,397	85						
Iran	568,896	32,616	64						
Iraq	451,707	10,623	66						
Jordan	53,087	579	79						
Tunisia	48,799	819	41						
Morocco	197,481	3,301	66						
Egypt	106,540	6,199	76						
Asia Pacific									
Hong Kong	5,303	105	50						
Singapore	57,970	28	50						
Japan	97,074	1,718	35						
Indonesia	389,712	13,299	50						
Taiwan	-	-	19						
South Korea	25,955	457	55						
China	91,151	4,739	62						
Philippines	370,028	6,977	47						
India	7,909,959	119,014	64						
Vietnam	1,168	35	52						
Australia	27,520	905	65						
New Zealand	1,584	25	29						
Thailand	3,743	59	44						
Malaysia	26,565	229	66						
Lockdown Index key & Scale									
No Restrictions: 0 – 25									
Recommended Restrictions: 26 – 50									
Enforced Restrictions: 51 – 75									
Highest Restrictions / Ban: 76 – 100									
				Internal movements	Public events	Public transport	Value		
				No measure	No Measure	No measure	0		
				Recommended	Recommended	Recommended	1		
				Restriction	Required	Required	2		
				Workplace	Schools	Value			
				No measure	No measure	0			
				Recommended	Recommended	1			
				Required closure of some sectors	Some level of schooling required to close				
				Required closure for all but essential work	All schools required to close				
				International travel	Value				
				No measure	0				
				Screening	1				
				Quarantine arrivals from high risk regions					
				Ban on high risk regions					
				Total border closure					

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, Argentina and Colombia have some of the highest 'lockdown index' scores.

For most countries, public transport has the most relaxed restrictions. Taiwan, Tunisia, Norway, Poland, Netherlands and Greece 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 is the exception, where international travel is freely permitted with no measures implemented.

Source: Knight Frank, Macrobond, Oxford University

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