



BLACK OAK

FAMILY OFFICE

Economic & Market review – August 2020

The major macroeconomic event during the month was the move of the Federal Reserve: earlier this year, the Federal Reserve cut rates to zero and launched an open-ended asset-purchasing program to support the economy through the coronavirus pandemic. In August, the central bank laid out an inflation policy framework that would keep rates lower for longer in order to support longer the economy and reassure the markets.

At the end of the month, Japan's longest serving prime minister, Shinzo Abe, has resigned due to health concerns. The prime minister's departure will kickstart a leadership race in the governing Liberal Democratic Party, with the winner to be formally elected in September in parliament and to serve for the rest of Abe's term.

Regarding the stock markets, enthusiasm for equities returned in August as COVID-19 cases in the US peaked and declined: The S&P 500 has been up 7.2% during August, its biggest August gain since 1984. The Dow has rallied more than 7.8% in the same month and had its best August in 36 years. The August rally built on the market's sharp rebound off the March 23 intraday lows. Since then, the Dow and S&P 500 are up 57% and 60.1%, respectively. On the other side of the Atlantic, the Eurostoxx50 also had a positive month (+4.45%), like Chinese (+3.58%) and Japanese (+6.59%) markets

On the Fixed Income side, the government yields went up (T-bill moved from 0.535% on August 1st to 0.693% on August 31st) as economic data improved during the month, implying a quicker recovery than anticipated and a partial repositioning from safe to risky assets.

Regarding the FX markets, the USD kept weakening during August: EURUSD +1.07%, USDJPY -0.24%, GBPUSD +1.86%.

The Oil also went up on hopes of a recovery (Brent +7.02%/ WTI +7.52%) while gold edged lower during the month (-0.64%) after the rally it experienced since the beginning of the year (up 27.26% year to date).

Investors should still be very cautious and monitor closely the developments or major events to come:

- Coronavirus pandemic and its impacts
- US-China trade war
- US Presidential election
- BREXIT outcome
- Support from the Central Banks

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