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THE PEAK: ALLA FONTE DEI MERCATI

1984



Winston Smith (Edmond O'Brien):
“The most important thing is that there is hope.”

The quote is taken from 1984, a movie directed by Michael Anderson in 1956

The spread of Covid-19 around the world keeps arousing market concerns. However, as Michael Anderson movie recalls “the most important thing is that there is hope.” And for observers, in this case, hope is called vaccine.

The markets are looking with cautious optimism on progress made on this front: in Italy, human trials for a “made in Italy” vaccine have begun at the Spallanzani hospital, in Rome. In the United States, on the other hand, President Donald Trump – with an eye on the upcoming elections - wants to bypass the standards and classical procedures to

speed up the researches that AstraZeneca and the University of Oxford are conducting. While, concerning treatment, the FDA, the American Authority which supervises the food and the pharmaceutical industries, has given the green light (in case of critical conditions) to the use of plasma from people who had recovered from Covid-19: this therapy, however, still presents unknowns. The decision seems to have been taken after the direct pressure of President Trump.

The markets are also waiting with great anticipation for the Jackson Hole event: the traditional event held in the US at the end of August, which welcomes central bankers from all over the world, who will discuss the strength of the global economic recovery. Due to the coronavirus, this year the event will be held by videoconference and it is scheduled to start on Thursday 27th August. Among the most awaited speeches, there is certainly the one of the Federal Reserve President, Jerome Powell, who will open the event. Market operators hope to receive additional guidance on the Federal Reserve’s monetary policy.

Still speaking of the US Institution, the minutes of the executive committee meeting, held on the 28-29 of July, were recently published. The Fed has sent out a precise warning: “The performance of the economy will significantly depend on the performance of the pandemic”. Besides, the central bank has confirmed its “commitment to use its full range of tools to support the US economy in this complicated time, pursuing maximum employment and price stability”.

Italy

Via Cavallotti 8
20122 Milano
T. +39 02 36574500

www.aqa-capital.com

Czech Republic

Pařížská 68/9, 110 00
Praha 1 Staré Město
T. +420 220 950 677

info@aqa-capital.com

Malta

6, Market Street, Floriana
FRN1082 Malta
T. +356 23479800

UK

96 Kensington High Street
London W8 4SG
T. +44 2037272691

From a geopolitical perspective, the markets are watching with concern the tensions between the United States and China. There are various reasons at the core of their divergences, including the accusations made against Huawei. The company “spies on us, we don’t want its technology,” Trump said in an interview with Fox News. While the Secretary of Commerce, Wilbur Ross, announced the strengthening of sanctions against the smartphone giant, extending them to 38 of its branches in 21 countries. Goal? Limiting access to US technologies. Huawei and companies in its network, according to the Republicans, have “increased their efforts to obtain advanced semiconductors or products made with American programs and technologies to achieve the political objectives of the Communist Party”.

Beijing answered firmly through the spokesman of the Foreign Ministry, Zhao Lijian, who assured that the government “will continue to take the necessary measures to safeguard

the rights and legitimate interests of Chinese companies”. Furthermore, he said that the United States “generalized the concept of national security, adopting several restrictive measures without any real evidence. It is only about hegemony ». The markets are hoping that the two superpowers will be able to find an agreement to avoid repercussions on the global economy.

Turning to Europe, from a macro point of view, updated inflation data have been published. In July, the Eurozone recorded an annual increase of 0.4% against + 0.3% in June. Inflation in the European Union, on an annual basis, grew by 0.9% (compared to + 1.4% in the same month 2019).

While looking at the UK, in July the General Price Index rose 0.4% monthly and 1% yearly. These numbers beat the experts’ consensus, which was set on an unchanged economic value and an increase of 0.5% compared to 2019.



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