



Market Update – August 2020

Equities continued to push higher in August, led by tech stocks as the Nasdaq offered just shy of a 10% return. The rally is in part a function of the ongoing reopening of economies and continuing fiscal and monetary stimulus. But the performance of a small number of mega-cap US tech stocks is having an unhealthy influence; August saw record purchases of call options in these names with Softbank reported to have taken substantial, bullish bets. Valuations are now very stretched. Volatility is picking up and many investors are over-exposed. In addition, the continuing spread of Covid-19, with outbreaks re-emerging in Europe, suggests that we have reached the limits of safe economic activity. Add in the US election now looming large on the radar and we predict a volatile few weeks ahead.