

Confidence
must be earned

Amundi
ASSET MANAGEMENT

Latest From the Markets

7 April 2020

Economy and Markets Update

Only one significant macroeconomic data came out yesterday, the Sentix index, an indicator of investor sentiment in the Eurozone which came in significantly lower than forecasts expected (-42.9 compared to -30.2). Markets mainly focused on improvements in contagion data and deaths over the weekend in Italy, France and Spain, regaining some confidence in the possibility that the long-awaited 'Phase 2', the gradual reopening of business, could begin. In the meantime, OPEC+ confirmed that their meeting has been moved to Thursday, April 9, this did not cause much disruption in the markets, which remain confident in the possibility of an agreement on production cuts.

In the UK, after Queen Elizabeth's speech to the Nation on Sunday evening, news arrived of the hospitalisation of Prime Minister Boris Johnson for worsening coronavirus symptoms after he tested positive 10 days ago. After some denials, it was confirmed in the evening that the Prime Minister has been transferred to intensive care and that Foreign Minister Dominic Raab has assumed the functions of representative of the Head of Government.

Japan, one of the least impacted nations to date, has declared a state of emergency due to the recent increase in the number of contagions; the Japanese government is preparing a \$990 billion fiscal intervention plan.

The Eurogroup, bringing together the Economic Ministers of the Member States, is expected to meet today to discuss the proposals to be brought to the European Council on Community action to respond to the current crisis. Various proposals are on the agenda, including the much debated "coronabonds"; conditions around access to the European Stability Mechanism; the French proposal to set up an aid fund limited in purpose and time; the Dutch proposal for a solidarity fund; the increase in the capital of the European Investment Bank to increase its lending capacity.

Yesterday's Market Roundup

A positive start to the week for the Asian markets thanks to reassuring data received over the weekend on the slowdown in the growth of infections and deaths in Europe. The Japanese Nikkei 225 closed at +4.24% and Australia at +4.33%. Hong Kong was also positive at +2.2% and South Korea at +3.9%. Closed for holidays China and India.

The European stock markets also had a very positive day with the Eurostoxx 50 index closing at +5%, close to the day's highs. The German Dax closed at +5.8%, the French Cac 40 at +4.6%, the Spanish Ibex and the Italian FTSE Mib at +4%. London also performed well with +3.1% despite the news of Prime Minister Boris Johnson's hospitalization.

The US also closed positively with the S&P 500 index at +7%, supported by the news of a further decline in contagions in Europe and a plateau that appears close in the State of New York and New Jersey. Yields on the 10-year US Treasury rose by 9 basis points to 0.68% and those on the 10-year German Bund were stable at -0.42%. The Italian differential with Germany is narrowing to 191 basis points from 198 on Friday.

In commodities, the news of the postponement of the OPEC+ group meeting to Thursday 9 caused a -2.5% drop in Brent to \$33.3 per barrel, but it's worth remembering that last week the rise was a good 37%, while gold rose by +2.7% to \$1,660 per ounce. Finally, the US dollar closed slightly up against the Euro compared to last Friday at 1.079.

Today's opening bell

After yesterday's strong Wall Street closing, the positive tone continues this morning in Asia with the Japanese Nikkei 225 up +1% half an hour after closing. China and India closed yesterday, are up +2% and +4.1% respectively. Hong Kong up by +0.3% and South Korea by +0.9%. Only Australia closed in negative territory at -1.3%.

Brent is recovery mode at +2.9% oil at \$ 34 per barrel Brent, while gold is stable. The US dollar fell slightly against the Euro at 1.0825. European futures showed +0.6% and futures on the S&P 500 at -0.1%.

Our View

- Stock markets are reacting very well to the news of a drop in contagion and deaths in some European countries such as Italy, France and Spain and the possible plateau in contagion in the states of New York and New Jersey, among the most affected in the USA.
- The continuous support of the Central Banks and the launch of governments' fiscal plans could be fuelling hope that the so-called 'Phase 2' is approaching and that global economies may soon start slowly returning to activity.
- However, all parties are reiterating the warning not to lower vigilance and to continue with the restrictions in place in order not to rekindle outbreaks, particularly in view of the Easter holidays approaching.

IMPORTANT INFORMATION

Unless otherwise stated, all information contained in this document is from Amundi Asset Management and is as of 7 April 2020. Diversification does not guarantee a profit or protect against a loss. The views expressed regarding market and economic trends are those of the author and not necessarily Amundi Asset Management, and are subject to change at any time based on market and other conditions and there can be no assurances that countries, markets or sectors will perform as expected. These views should not be relied upon as investment advice, as securities recommendations, or as an indication of trading on behalf of any Amundi Asset Management product. There is no guarantee that market forecasts discussed will be realised or that these trends will continue. These views are subject to change at any time based on market and other conditions and there can be no assurances that countries, markets or sectors will perform as expected. Investments involve certain risks, including political and currency risks. Investment return and principal value may go down as well as up and could result in the loss of all capital invested. This material does constitute an offer to buy or a solicitation to sell any units of any investment fund or any services.

Date of First Use: 7 April 2020

Doc ID: 1143469