

Confidence
must be earned

Amundi
ASSET MANAGEMENT

Latest From the Markets

5 May 2020

Overview

- Both Asian and European stock markets suffered yesterday from renewed US threats to take commercial action against China, which they hold responsible for the pandemic.
- Macroeconomic data confirming the depressed state of economic activity during the "lockdown" was a further drag on the markets.
- The US just about managed to close positive, thanks to a final boost from confidence in a progressive reopening of activities, the rally of technological stocks and a final session of rising oil prices.

Economy and Markets Update

Yesterday, markets felt the weight of the US's allegations against China. In an interview yesterday, Mike Pompeo, the US Secretary of State, suggested that there is evidence that the coronavirus "escaped" from a Wuhan laboratory and it is not a natural phenomenon – though the scientific community almost unanimously refute this opinion. He did not go so far as to say that this was done intentionally, but these serious allegations come on the heels of President Trump's threats of a commercial retaliation on China, further complicating an already delicate situation.

Macroeconomic data for April published in Asia, including PMIs, which were well below 50 for all countries, 50 being the threshold which divides contraction from expansion. In Eurozone, the final April PIMs were published, with an aggregate figure of 33.4 compared with the expected 33.6, and the investor confidence index for May came in below expectations at -41.8 compared to the expected -33.5.

Finally, in the US, industrial orders for March were published, these fell by -10.3% compared to the expected -9.7%.

Yesterday's Market Roundup

With the exception of Australia, which rose by +1.4%, other Asian markets were in negative territory with Hong Kong closing at -4.2%, South Korea at -2.9%, India at -5.9%, Taiwan at -2.5%, and Singapore at -2.3%. Japan and China were closed for public holidays.

This negative tone also prevailed in Europe, with the Eurostoxx50 index down by -3.8%. The French CAC 40 with -4.25% was the worst-performer amongst the larger European indexes, followed by the Italian FTSE MIB at -3.7%, the German DAX and the Spanish Ibex both at -3.6%. London contained the decline at -0.16%.

After a negative opening, the US indices managed to recover and closed the day in positive territory. The S&P 500 index rose by +0.4%, driven once again by Technology, with the Nasdaq 100 up by +1.3%.

There was little change in yields on the ten-year US Treasury at 0.63% (+1 basis point) and those on the ten-year Bund at -0.56% (+2 bp). The Italian spread with Germany remained unchanged at 234 basis points.

In Commodities, the price of oil closed on an upward trend with Brent crude rising by +5.75% to 27.96 dollars and WTI rising by +7.75% to 21.3 dollars a barrel. Gold rose slightly to \$1,703 an ounce. The US dollar was up +0.73% against the Euro at 1.09.

Today's opening bell

Asian markets opened positive this morning, supported by Wall Street's positive close yesterday. Japan, China and South Korea are closed for holidays. Australia is up +1.4% half an hour before closing. Hong Kong is up +0.8%, India +1%, Taiwan +0.6% and Singapore +0.9%.

The rebound in oil continues, with Brent up +4.2% to \$28.3 per barrel and WTI up +6.4% to \$21.7 per barrel. Gold is stable at \$1,700 an ounce. The USD remains almost unchanged against the Euro at 1.0907. European futures recovered by +1.6% and US futures by +0.9%.

IMPORTANT INFORMATION

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