Latest From the Markets

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Economy and Markets Update

Brent oil rebounded by 21% yesterday, to just under 30 dollars a barrel as US President Donald Trump called for OPEC and Russia to reopen dialogue in an effort to end the collapse in crude oil prices resulting from their failure to agree on production cuts on 6 March. However, many market analysts are doubtful in relation to Trump's statements; he cited possible production cuts of 10-15 million barrels per day, a quantity that seems exaggerated when one considers that, a month ago, no agreement was reached on the much lower quantity of 1.5 million.

Nonetheless, this offset the negative news about the publication of weekly US unemployment benefit claims that exceeded worst-case expectations. Weekly unemployment benefit applications hit 6,648,000, on March 28, an absolute historical record. This compares to an expected average of 3,500,000, with some estimates reaching a maximum of 5,250,000 - tangible proof of the impact that efforts to contain the spread of the epidemic by shutting down has had. The US holds the unenviable record for the number of people infected, over just a few days as many as 245,000 cases have been confirmed. Further corroboration of the abrupt slowdown in the world's leading economy also came from the trade balance figures for the month of February; these saw a contraction in the deficit of -12.2% to 39 billion dollars, a contraction mainly due to the sharp drop in imports from China. It should be noted that, from a national accounting point of view, a lower trade deficit actually increases GDP, but due to a forced reduction in stocks, expected future lower industrial production and lower consumption, in these critical circumstances this should be read as a negative figure.

Data on new non-agricultural workers and the unemployment rate in the USA for March are due out today. The consensus expects a decrease of -100,000 employees and an unemployment rate expected to rise to 3.8% from 3.5% in February. The reduction of only 100,000 seems to clash with the weekly unemployment figures seen in the last two weeks, but it should be borne in mind that most of the data gathered from the companies making up the figure took place by the first half of March. Therefore this does not fully capture the sudden deterioration seen in the second half of the month.

Yesterday's Market Roundup

Negative closure for Japan with the Nikkei 225 index at -1.37% and Australia at -2%. Closures in the rest of the Asian markets were positive, with an increase in the final session. South Korea rose by +2.4%, China by +1.6% and Hong Kong by +0.8%. India was closed for holidays.

European markets started negative after the publication of US unemployment data, but ended the session in positive territory on the back of the recovery seen on Wall Street, driven by the strong rebound in oil prices. The Eurostoxx 50 index closed at +0.3% as did the French Cac 40 and the German Dax. Italy's FTSE MIB up +1.75%, while Spain closed unchanged. The English FTSE 100 went up +0.5%.
The US recovered from Wednesday's debacle with the Dow Jones Industrial up +2.2%, driven by the oil industry with Chevron and Exxon Mobil up +11% and 7.6% respectively.

Yields on the 10-year US Treasury remained unchanged at 0.61% and those on the 10-year German Bund stable at -0.42%. In further recovery the Italian differential with Germany at 189 basis points from 196 yesterday.

In commodities, as already mentioned, Brent oil closed just under 30 dollars a barrel with a jump of +21%, while gold rose by +1.4% 1,613 dollars an ounce. Finally, the US dollar further strengthened against the Euro, closing at 1.0855 from 1.0965 yesterday.

Today's Opening Bell

Asian markets fell slightly this morning with the Japanese Nikkei 225 at -0.5% half an hour after closing and Australia at -1.7%. China also fell at -0.6%, Hong Kong at -0.8%, South Korea at -0.8% and India, which closed yesterday, at -1.4%.

After yesterday's sharp jump, oil corrected by -4.4% at $28.6 per barrel Brent, while gold is stable. European futures also opened negative at -0.4% and the S&P 500 futures at -1.5%.

Our Outlook

- The stock markets, led by the US, reacted positively despite another difficult day with macroeconomic data indicating an increasingly severe recession – we believe this is essentially thanks to the strong rebound in oil prices, which helped those indices driven by energy stocks.
- For the rebound to have any staying power, indications showing that the pandemic is reaching a plateau are needed – but that still seems far off.
- Meanwhile, the continued support of central banks and fiscal aid programmes for companies and individuals to tackle the crisis in the immediate future will be crucial.

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