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ASSET MANAGEMENT

Latest From the Markets

11 May 2020

Overview

- International stock markets recovered after a difficult start to last week, thanks to good quarterly results (in view of revised expectations), the resumption of Chinese-American dialogue on the commercial front, the start of “Phase 2” in many countries and the recovery in oil prices.
- The US market managed to close the week with an increase of +3.5% and the Nasdaq Composite returned to positive results from the beginning of the year thanks to +6% rise.
- Europe, which on Monday had suffered the backlash of the Wall Street fall on May 1, saw the Eurostoxx 50 index recover and close only slightly negative at -0.7%.
- Japan, which had been shut for a national holiday most of the week, closed up by +2.85%. Emerging countries closed the week slightly negative with the MSCI Emerging Index at -0.55%.

Economy and Markets Update

On Friday, China and the United States reopened their dialogue on trade disputes during a virtual meeting between US Treasury Secretary Steven Mnuchin, the head of the US Trade Delegation Robert Lighthizer and Chinese Vice Premier Liu He.

They agreed to review the status of the “Phase 1” agreement signed in January in order to ensure its full implementation in view of the challenges resulting from the pandemic. In a further conciliatory gesture, the Chinese authorities announced the easing of constraints for foreign investors to invest in China's financial markets.

On the macroeconomic front, German exports fell sharply in March, -11.8% compared to -5% expected. Imports fell by -5.1% compared to -4% expected; although the trade balance was positive at +12.8 billion euro, it was below the expectations of 18.9 billion euro.

US unemployment data for April showed that a total of 20.5 million jobs in the non-farming sector were lost, compared to the expected 22 million. The unemployment rate jumped to 14.7% from 4.4% in March, although this is better than the consensus expectations of 16%. Oddly, the trend in average hourly wages was expected to rise by 0.4% month on month, while the actual figure was +4.7%. However, this does not suggest a surge in wage inflation - it is in fact a technicality due to the majority of jobs lost being in the low-income or the minimum wage bracket (supermarkets, restaurants, hotels).

Finally, Moody's rating agency decided on Friday to postpone the rating on Italian debt, keeping the outlook stable, while DBRS confirmed the rating, but lowered the outlook to negative.

Friday's Market Roundup

Positive closures in Asia on Friday thanks to the resumption of dialogue between the United States and China on the commercial front and the announcement by China that it wants to open up its financial markets more to foreign investment. The Japanese Nikkei 225 rose by +2.56% and Australia by +0.5%. China and Hong Kong both closed up by +1%. South Korea up by +0.85% and India by +0.65%.

European markets also closed positively with the Eurostoxx50 index up +0.96%. The German DAX rose by +1.35% and the French CAC 40 by +1.07%. The Italian FTSE MIB closed at +1.13% and the Spanish Ibex at +0.8%. London was closed on Friday.

In the US, S&P 500 index closed positive at +1.7%. Yields on the 10-year US Treasury rose to 0.68% (+5 basis points) and slightly higher on the 10-year Bund to -0.53% (+2 bp). The Italian spread with Germany narrowed to 234 basis points (-12 bp).

In Commodities, oil rose with Brent up +5.8%% at 31 dollars per barrel and WTI at +4.6% at 24.74 dollars per barrel. Gold fell to \$1,700 an ounce (-1%). The USD against Euro changed little, at 1.084.

Today's Opening Bell

Positive opening in Asia with the Japanese Nikkei 225 up +1.5% and Australia up +1.6% half an hour before closing. China is unchanged while Hong Kong is up +1.8%. India up +1.3%, while only South Korea closed negative by -0.3%.

The price of oil fell with Brent oil at 30.4 dollars a barrel (-1.65%) and WTI at 24.3 (-1.6%). Gold recovered slightly at 1,704 dollars an ounce. Little change in the USD against the Euro at 1.0845. Up +0.8% European futures and +0.3% those on the United States.

IMPORTANT INFORMATION

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