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Amundi
ASSET MANAGEMENT

Latest From the Markets

14 May 2020

Overview

- International stock markets have been impacted by the Fed Chairman, Jerome Powell's cautious but realistic speech; somewhat dampening the excitement seen in the last few weeks around expectations of reopening economies and the consequent improvement in growth prospects.
- This translated into negative closures in Europe and, for the second consecutive session, in the US. Markets on both sides of the Atlantic are close to critical levels, for both the S&P500 index and the Eurostoxx 50 at 2,800 points, a further dip could cause a more marked correction.

Economy and Markets Update

The Fed's eagerly awaited state of the US economy web conference yesterday painted a rather grim picture, focusing in particular on the risks and prolonged effects which could result if the health crisis cannot be brought under control. Chairman Jerome Powell reiterated that the Fed is ready to do everything in its power to help deal with the crisis, but also appealed to Congress to further increase expansive fiscal policy measures in addition to the \$3 trillion already allocated. When asked about negative official rates, which the Fed Funds futures are discounting within a year, he said that the FOMC's approach has not changed and that this is not an option they are looking at.

On the macroeconomic front, March GDP estimates for the UK showed a month-on-month contraction of -5.8% compared to the expected -8%, while year-on-year the estimated contraction is -5.7% compared to the expected -7.2%. The preliminary GDP estimate for the first quarter is down by -2% compared to the fourth quarter of 2019, compared to an expected -2.5%. Industrial production was down sharply by -8.2% year on year, slightly better than the expected -9.3%.

March industrial production in the Eurozone is also down -12.9% year-on-year, compared to the expected -12.4%. In the United States, production prices for April are down year-on-year by -1.2% compared with the expected -0.2%.

Yesterday's Market Roundup

Mixed closings in Asia yesterday with the Japanese Nikkei 225 and Hong Kong down by -0.5% and -0.3% respectively, while the other main exchanges were positive. India up by +2%, South Korea by +1%, Australia by +0.35% and China by +0.2%. European markets closed sharply negative with the Eurostoxx50 index down by -2.55%. The German DAX fell by -2.56% and the French CAC 40 by -2.85%. Italy and Spain also fell, with the FTSE MIB down by -2.14% and the Ibex down by -1.94%. London closed at -1.5%. The second consecutive sharp decline for the US stock exchange with the S&P 500 index down -1.75%.

Yields on the 10-year US Treasury were down to 0.65% (-2 basis points), while those on the 10-year Bund were almost unchanged at -0.52%. The Italian spread with Germany narrowed to 236 basis points (-7 bp).

In Commodities, Brent fell by -1.8% to 29.44 dollars per barrel, while the WTI fell by -0.66% to 25.6 dollars per barrel. Gold rose by +0.8% to \$1,715 an ounce. The US dollar strengthened against the Euro at 1.082.

Today's Opening Bell

Asia opened down this morning after Wall Street's second consecutive negative closure last night. The Japanese Nikkei 225 dropped -1.35% and Australia lost -1.15% half an hour before closing. China is down -0.7% and Hong Kong -1.3%. South Korea is down -1.3% and India -1.9%.

The price of oil remained stable with Brent crude at 29.3 dollars a barrel and WTI at 25.5. Gold is slightly down at \$1,712 an ounce. The US dollar slightly strengthened against the Euro at 1.081. European futures fell by -0.7% and US futures by -0.2%.

IMPORTANT INFORMATION

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