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Amundi
ASSET MANAGEMENT

Latest From the Markets

30 April 2020

Overview

- Yesterday was still marked by optimism on the markets, likely deriving from the expectations around reopening production and commercial activities, albeit gradually, from the strong rebound in oil prices and the business results of the large technology companies, which are a reminder that we can still live and prosper even in the days of Covid-19.
- Today the focus will be on the ECB's Governing Council who are meeting to discuss whether the European Central Bank will follow in the footsteps of the Fed in providing unconditional support to the financial and productive system to face this unprecedented crisis.

Economy and Markets Update

As expected, the US Federal Reserve has left official interest rates unchanged at close to zero. President Powell said the Central Bank will do all it can to help families and businesses cope with this unprecedented moment of difficulty. The risks to the US economy, Powell reiterated, are medium-term risks that could jeopardize the recovery for longer than expected. The US Central Bank forecasts foresee a double-digit GDP contraction in the second quarter of 2020.

This came on the day when the first official GDP growth estimates for Q1 2020 in the US economy were published, showing a contraction on an annualized basis of -4.8% compared to -4% the expected by economists. This is the worst decline since 2009. In particular, as expected, the consumer-spending component suffered most, with a contraction of -7.6%.

Despite the negative data, equity markets continued to recover thanks to hopes linked to the progressive reopening of production and reassuring news around the progress of certain drugs in reducing the effects of Covid-19. Positive Q1 results also for some leading companies, including some that share the market for electronic monetary transactions worldwide.

After trading closed in the US, one of the world leading software for companies published very reassuring results, especially with regard to the development of their "cloud" business that facilitates remote working and which saw a significant upsurge as the pandemic forces companies to adopt new ways of working.

Yesterday's Market Roundup

Positive closures yesterday in Asia on the back of expectations around "Phase 2" and the rally in oil prices. The Japanese market was closed for a holiday. Australia rose +1.5%, China +0.5% and Hong Kong +0.3%. South Korea closed up by +0.7% and India by +1.9%.

Strong closures also in Europe with the Eurostoxx50 index up by +2.2%. Spain stands out with the Ibex at +3.2% followed by Germany with the DAX at +3%; France and Italy both rose by +2.2%. London closed with an increase of +2.6%. Very positive closure also for Wall Street with the S&P 500 index up +2.66% and the Nasdaq 100 up +3.5%. Strong recovery also of the small and medium capitalizations with the Russell 2000 index up +4.8%.

Little change in the yields on the 10-year US Treasury at 0.63% (+2 basis points) and a slight decrease on the 10-year Bund at -0.49% (-2 bp). The rise in the Italian spread with Germany by only 4 basis points to 227 basis points was very limited, despite the lowering of the rating on Italian debt by the rating agency Fitch.

In Commodities, the abnormal volatility seen in oil prices continued with a marked recovery in prices for both Brent, which rose by 11% to \$22.7 per barrel, and WTI, which rose by 24% to 15.35. Gold rose slightly to \$1,712 an ounce.

The USD depreciated against the Euro at 1.0875.

Today's Opening Bell

The rally in Asian stock exchanges continues this morning with the Japanese Nikkei 225 index up by +2.9% and Australia by +2.5% with half an hour to go. China up by +1.3% and India by +3%. Closed for the holidays Hong Kong and South Korea, while Singapore and Taiwan both rose by +2.1%.

The rebound in oil prices also continued with Brent up 9% to \$24.75 per barrel and WTI up 14% to \$17.2 per barrel.

Gold remained virtually unchanged at \$1,711 an ounce. The USD appreciated slightly against the Euro at 1.086. European futures increased by +1.5% and those on the United States by +0.7%.

IMPORTANT INFORMATION

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