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Amundi
ASSET MANAGEMENT

Latest From the Markets

6 April 2020

Economy and Markets Update

A meeting of the OPEC+ group, which includes Russia and other producers as well as OPEC member countries, was convened on Friday; however the US, Canada, Norway and Brazil were not included. Rumours of possible production cuts of up to 10 million barrels per day have given an extra boost to oil, which closed up +13.7% to \$34.11 per barrel Brent last Friday. According to OPEC sources, the organization would like to ask the US to also cut production; however, Trump is against such a move also because there are laws against this in the US. Over the weekend, it was reported that the OPEC+ meeting, initially scheduled for today, has been moved to Thursday, to allow more time for negotiations.

March PMI indices for services in the Eurozone were published on Friday morning, with negative data across all the bigger countries. For example, Italy was 17.4 versus 22 expected and down from 52.1 in February, Spain 23 versus the 25.5 expected and Germany 31.7 versus 34.3 expected.

Data on new non-agricultural employment and the unemployment rate in the USA for the month of March was significantly worse than expected, with a negative number for new employees at -701,000 compared to forecasts of -100,000 and an unemployment rate of 4.4% compared to the expected 3.8%. This puts an end to an uninterrupted positive series of 113 months of growth in new employees, an historic record.

Friday's Market Roundup

Asian markets recovered at the end of the trading session with the Japanese Nikkei 225 and South Korea unchanged, China at -0.6% and Hong Kong at -0.2%. Only Australia and India fell more significantly with the former closing at -1.7% and the latter at -2.4%.

After a morning of waiting for US unemployment data, European markets turned negative towards the end of the day, following the same trend in Wall Street. The Eurostoxx 50 index closed at -0.95%, the German Dax at -0.5%, the French Cac 40 at -1.6% and Italy at -2.7%. Only Spain managed to close with a slight positive sign at +0.1%. The English FTSE 100 also fell to -1.35%.

Yesterday's Market Roundup

The US also closed negative with the S&P 500 index at -1.5%, a slight recovery from the lows of -2.6% recorded during the day.

Yields on the 10-year US Treasury fell slightly to 0.599% and those on the 10-year German Bund were stable at -0.43%.

In Commodities, as already mentioned, Brent oil continued its strong recovery, closing at \$34.11 per barrel, a jump of +13.7%, while gold stabilized at \$1,616 per ounce. Finally, the US dollar further strengthened against the Euro, closing at 1.0810 from 1.0855 on Thursday.

Today's Opening bell

Asian markets started the week on a positive note; also thanks to the good news from Europe that growth in infection and death rates in Italy and France seems to be slowing. The Japanese Nikkei 225 was at +2.75% half an hour after closing and Australia at +4%, Hong Kong at +1.2% and South Korea at +2.7%. Only China recorded a slight decrease at -0.6%, while India closed for holidays.

Brent oil corrected -1.6% to 33.5 US dollars a barrel, while gold is stable. Very positive opening for European futures at +3.3% and the S&P 500 futures at +3.6%.

Our View

- While international stock markets closed last week in negative territory, they still demonstrated good resilience in the face all the negative and below expectation macroeconomic data published during the week; volatility also dropped by -28%.
- This resilience was aided by the strong rebound in oil prices, rising by 37% during the week and giving a boost to the energy sectors.
- Credit markets stabilised, in our view this could be a sign that the Central Banks measure are starting to have the hoped-for effects.

IMPORTANT INFORMATION

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