

Confidence
must be earned

Amundi
ASSET MANAGEMENT

Latest From the Markets

22 April 2020

Economy and Markets Update

The slump in oil continued yesterday, with Brent losing -23% at \$19.6 per barrel and the WTI contracts for May delivery down -36% at \$13.1 per barrel. These events are likely to aggravate the crisis for US "shale oil" producers, increasing potential bankruptcies and side effects for banks exposed to this business.

The German Institute for Economic Research (ZEW) published its economic sentiment index yesterday. In Germany, April was surprisingly positive at 28.2 compared to an expected -42.2, while the index measuring the current economic situation was lower than expected at -91.5 compared to -77.5. ZEW also published its index for the entire Eurozone, for April it was positive at 25.2, compared with -49.5 in the previous month. These indices are calculated on the basis of economists' and analysts' forecasts of the current and prospective state of the German economy and the Eurozone. Our interpretation of the data is that, while current economic conditions are worse than expected, confidence in the future is improving, and we believe this could be linked to the potential approach of 'Phase 2'.

In the US, yesterday saw the publication of existing home sales data for March, down -8.5% compared to the expected -8.1%. An agreement was reached in Congress between Republicans and Democrats for an additional aid package for the economy worth USD 480 billion, of which 320 billion will go to SMEs (plus an additional 60 billion for emergency funding), 75 billion for hospitals and 25 billion for virus testing. The new package, which tops up the 2.3 trillion already allocated, was approved overnight by the US Senate and could be approved by the House of Representatives by Thursday.

Yesterday's Market Roundup

Asia was down mainly due to Wall Street closing negative on Monday and the collapse of oil with the Japanese Nikkei 225 index down by -2% and Australia by -2.5%. In China, the CIS 300 index lost -1.2% and Hong Kong fell -2.2%. South Korea also closed down -1.1% and India -3.2%.

European markets also closed in pronounced negative territory with the Eurostoxx50 index down by -4%. The German DAX lost -4%, the French CAC 40 -3.8%, the Italian market -3.6% and the Spanish Ibex fell by -2.9%. London left -3% on the ground.

Very negative trading session also for Wall Street with the S&P 500 index down by -3% and the Dow Jones Industrial by -2.7%.

Yields on the 10-year US Treasury fell to 0.57% (-5 basis points) and those on the 10-year Bund fell slightly to -0.47% (-2pb). The Italian spread with Germany widened sharply by 23 basis points to 265 basis points.

In Commodities, as already mentioned, the price of oil fell again with Brent crude oil losing -23% at 19.6 dollars per barrel and the WTI for May expiration down by -36% to 13.1 dollars per barrel, while gold fell by -0.6% to 1,682 dollars per ounce. The USD is stable against Euro at 1.0860.

Today's Opening Bell

Openings still negative this morning in Asia due to the continued slump in oil for the third consecutive day; the Japanese Nikkei 225 index down -1.4% and Australia -0.25% half an hour to closing. Hong Kong fell by -0.25% and South Korea by -0.35%. In China, the CIS 300 index turned slightly positive at +0.1% and India rose by +1%.

Oil in free fall again this morning with Brent falling by -16% to \$16.2 per barrel. Gold slightly down to 1,682 dollars an ounce. The USD appreciated slightly against the Euro at 1.085. European futures rose slightly to +0.5% and US futures to +0.2%.

Our View:

- Equity markets are again coming under strong pressure from the collapse in oil prices and the uncertainties surrounding the start of 'Phase 2' in the US and Europe.
- In the US, some states such as Georgia and South Carolina are preparing to reopen, despite not having reached the recommended 14 days of contagion reduction. Other states, New York first and foremost, consider the reopening to be premature.

IMPORTANT INFORMATION

Unless otherwise stated, all information contained in this document is from Amundi Asset Management and is as of 22 April 2020. Diversification does not guarantee a profit or protect against a loss. The views expressed regarding market and economic trends are those of the author and not necessarily Amundi Asset Management and are subject to change at any time based on market and other conditions and there can be no assurance that countries, markets or sectors will perform as expected. These views should not be relied upon as investment advice, recommendation, indication of trading for any Amundi product and this material does not constitute an offer or solicitation to buy or sell any security, fund units or services. Investment involve risks, including political and currency risks. **Past performance is not a guarantee or indicative of future results.**

Date of First Use: 22 April 2020

Doc ID: 1161309