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**Amundi**  
ASSET MANAGEMENT

# Latest From the Markets

20 May 2020

## Overview

- Following Monday's strong session, the European and US markets lost some ground yesterday.
- The main surprise was the negative closure of Wall Street at about -1%, the dip happened in the last hour of trading, following the publication of a news that questioned the results of the first phase of an experimental vaccine which had fuelled hope in the market on Monday.

## Economy and Markets Update

The news that France and Germany look to be in agreement on the "recovery fund", expected to be 500 billion with the debt shared within the budget of the European Commission, gave a boost to the Euro and to peripheral Eurozone government bonds. The two countries agreed that payments from the fund would take the form of a grant, and not a loan. A few more technical details will need to be discussed later by the European Commission, but the markets seem to want to believe that the consensus between the two countries can translate into an agreement between the EU member countries soon.

The war of words between President Trump and the World Health Organization continues; he restated his belief that they are as culpable as China for the spread of the pandemic. Trump threatened to permanently suspend the organization's funding and withdraw US membership of the organization.

Treasury Secretary Steven Mnuchin and Federal Reserve Chairman Jerome Powell appeared before the Senate Banking Committee, defending the programs put in place to mitigate the effects of the coronavirus on the US economy and demanding further efforts from Congress.

On the macroeconomic front, the April figures for new car registrations in Europe were published. The data is dire, one example for all: the Italian figure was -97.6% year on year. On the positive side, in Germany, the ZEW economic sentiment index for the month of May was a positive surprise at 51 compared to 32 expected.

The US published the new building permits and new construction of houses for the month of April. The former proved to be in line with expectations with a contraction of -20.8% month on month, while the latter dropped by -30% to 891,000 units compared to 927,000 expected.

## Yesterday's Market Roundup

Mixed closings on Friday in Asia with the Japanese Nikkei 225 up by +0.6% and Positive closures in Asia with the Japanese Nikkei 225 up by +1.5% and Australia by +1.8%. China closed at +0.85% and Hong Kong at +1.9%. South Korea shone with +2.5%, while India deflated in the final after a good start, closing at +0.56%.

Closures were down for most European markets, but relatively small compared to Monday's strong jump. The Eurostoxx50 index closed in slightly negative territory at -0.32%. The German DAX even managed to close slightly positive at +0.15%, while the French CAC 40 fell by -0.9%. The European periphery suffered more, due to ban on short selling being lifted – this had been in place since March 17th last. The Spanish Ibex lost -2.5% and the Italian FTSE MIB -2.11%. London closed down by -0.77%. Wall Street also closed negative with the S&P 500 index down -1.05%, with liabilities accrued in the last hour of trading.

Yields on the ten-year US Treasury fell to 0.695% (-5 basis points), while those on the ten-year Bund remained unchanged at -0.47%. The Italian spread with Germany narrowed to 211 basis points (-5 bp).

In Commodities, the price of oil closed down by -1% with Brent at 34.5 dollars a barrel and WTI at 32.5 dollars a barrel. Gold rose by +0.8% to \$1,746 an ounce. The US dollar fell slightly against the Euro at 1.0925.

## Today's Opening Bell

Uneven openings in Asia this morning with the Japanese Nikkei 225 up by +1%, supported by expectations for a recovery in commercial activity, and Australia by +0.3% half an hour to closing. China was negative by -0.5% and Hong Kong by -0.1%. South Korea is up by +0.3% and India by +0.7%.

The price of oil rose slightly, with Brent oil at 34.95 dollars a barrel (+0.9%) and WTI at 32.17 dollars a barrel. Gold was stable at 1,746 dollars an ounce. The US dollar fell against the Euro at 1.0940. European futures fell slightly to -0.35%, while those on the United States rose by +0.7%.

## IMPORTANT INFORMATION

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