Confidence must be earned
Amundi ASSET MANAGEMENT

Latest From the Markets

27 May 2020

Overview

- International stock markets closed positive again yesterday, although Wall Street ended the day just shy of the day's highs and the S&P 500 index failed to close above the psychological threshold of 3,000 points.
- This was mostly due to the correction seen in technology stocks and online stocks in general, which have supported the market's recovery thus far.
- Conversely, the sectors that have suffered most in the pandemic, such as airlines, holiday and cruise companies, are making a comeback – although they do have a lower weight on the large indices.

Economy and Markets Update

The presidents of the central banks of China and Japan have expressed their willingness to up their game in terms of both conventional and non-conventional policies to support economic recovery.

A positive tone pervaded financial markets from Asia to the US and Europe, on the back of hopes for a rapid economic recovery and that a viable coronavirus vaccine may be close, as some research programmes reach the human trials stage. This climate of renewed optimism has greatly benefited some of the sectors which suffered most, in particular those related to travel and leisure such as airlines, travel agencies and cruise lines.

On the macroeconomic front, Germany's GfK consumer confidence index for June stands at -18.9, slightly worse than expected at -18.3, but recovering from -23.1 last month. In the US, consumer confidence for May was also published at 86.6 compared to the 87.5 expected. New home sales figures for April are also out and unexpectedly up month-on-month by 0.6% compared with -21.9% forecast.

Yesterday's Market Roundup

Very positive closures in Asian markets as the Central Banks of China and Japan set out their intention to provide continued economic support with further easing measures. The Japanese Nikkei 225 closed up +2.55%, Australia +2.93%, China +1.13%, Hong Kong +1.9% and South Korea +1.73%. India was the only one of the main Asian markets to close negative, at -0.21%.

Positive closures for a second consecutive day on the Eurozone indices. The Eurostoxx50 index closed up +0.94%. Spain was the best of the larger markets, with the Ibex index up +2.15%. Italy followed with the FTSE MIB at +1.5%, France with the CAC 40 at +1.46% and the German DAX at +1%. London, which had been closed on Monday, recorded an increase of +1.24%.

The US market closed positive, although below the day's highs, with the S&P 500 index up +1.23% at 2,991.77 points, after having been above 3,000 for almost the entire session.

Yields on the 10-year US Treasury rose 4 basis points to 0.70% and those on the 10-year Bund 5 basis points to -0.44%. The Italian spread with Germany fell to 197 basis points (-10 basis points).

In commodities, oil closed slightly higher with Brent at +0.55% at $36 per barrel and WTI at +0.88% at $34.1 per barrel. Gold fell by -1.1% to USD 1,710 an ounce. The US dollar weakened against the Euro at 1.098.

Today’s Opening Bell

Mixed openings in Asian markets after yesterday's positive results. The Japanese Nikkei 225 up +0.7% half an hour before closing, supported by the $1.1 trillion tax package that should be defined today by the government. Australia is up +0.24%, South Korea +0.1% and India +0.5%. China down by -0.3% and Hong Kong by -0.5%.

There was little change in oil, with Brent at 36.1 dollars a barrel and WTI at 34.2. Gold yielded a further -0.25% at $1,707 an ounce. The US dollar recovered slightly against the Euro at 1.0955. European futures rose to +0.35% and US futures to +0.6%.

IMPORTANT INFORMATION

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