

Confidence
must be earned

Amundi
ASSET MANAGEMENT

Latest From the Markets

21 May 2020

Overview

- Renewed hopes for an economic recovery following "Phase 2" supported market performance yesterday.
- The technology sector is still the frontrunner in the US, with the Nasdaq 100 up by +8.6% YTD and only -2.3% lower than the absolute highs of 19 February. The Russell 2000 index (small and mid-cap), was up by +3%. The Financial and Oil sectors also performed well, thanks to the continuous rise in the price of crude oil.
- The European markets, after a start of a slow start, have also regained some strength thanks to the positive opening of the US market, closing at a high during the day.

Economy and Markets Update

The Chinese Central Bank has left LPR (Loan Prime Rate) rates unchanged, signalling a pause in the process of loosening monetary policy. The 1-year LPR rate remained at 3.85% and the 5-year LPR rate at 4.65%.

For the first time in history, the UK issued government bonds with a two-year maturity at a negative yield. Yesterday's auction on the gilt maturing in July 2023 showed an average yield of -0.003%. Although the Bank of England's official rates are slightly positive at +0.1%, this action signals that the market is expecting possible negative rates in the future, even on "base rates".

On the macroeconomic front, the final Eurozone April inflation data was published without any surprises; the "core" component, which excludes all the more volatile components, was up by +0.9% year-on-year in line with expectations. Consumer prices in the UK rose at an annual rate of +0.8% in April compared with +1.5% in March. Core inflation was up +1.4% year-on-year compared to +1.6% in March. Eurozone flash consumer confidence for May was also published, standing at -18.8 compared to expectations of -24.

Overnight, the April trade balance data for Japan came out, showing a drop in exports of -21.9% year-on-year in line with expectations at -22.7%, while imports fell less than expected at an annual rate of -7% (expected -12.9%).

Yesterday's Market Roundup

Uneven closures in Asia yesterday with the Japanese Nikkei 225 up +0.8%, supported by expectations for the resumption of activity, and Australia +0.24%. China closed in negative territory at -0.5%, while Hong Kong remained unchanged. South Korea was slightly positive at +0.36% and India closed up by +2.06%.

After a slow start, European markets gradually started to recover, closing positively on the back of Wall Street's strong opening. The Eurostoxx50 index closed up +1.37%. The German DAX rose by +1.34% and the French CAC 40 by +0.9%. The Spanish Ibex closed at +1.13% and the Italian FTSE MIB at +1.05%. London closed up +1.1%.

Wall Street also closed on a sharp rise with the S&P 500 index up by +1.67%, with the technology sector driving the sprint (Nasdaq 100 +2%).

Yields on the 10-year US Treasury fell slightly to 0.68%, while those on the 10-year Bund remained unchanged at -0.47%. The Italian spread with Germany was almost stable at 210 basis points.

In Commodities, the price of oil rose by +3.5% with Brent crude oil at \$35.9 per barrel and WTI crude oil by +5% at \$33.6 per barrel. Gold remained stable at \$1,746 an ounce. The US dollar fell against the Euro at 1.098.

Today's Opening Bell

Uneventful Asian markets this morning, with the Japanese Nikkei 225 slightly up +0.16% and Australia +0.13% half an hour to closing. China remains stable (+0.03%) as does Hong Kong (+0.03%). South Korea rose by +0.6% and India by +0.9%.

Oil prices are rising again with Brent oil at 36.5 dollars a barrel (+2.1%) and WTI at 34.2 dollars a barrel (+2.2%). Gold fell slightly to \$1,741 an ounce (-0.45%). The US dollar recovered slightly against the Euro at 1.0960. European futures fell to -0.8% and US futures to -0.4%.

IMPORTANT INFORMATION

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