

Confidence
must be earned

Amundi
ASSET MANAGEMENT

Latest From the Markets

7 May 2020

Overview

- US and European stock markets closed mostly negative yesterday, influenced by the Trump Administration's threats against China and the pause in the oil price rally seen in recent days.
- Despite the bleak economic picture that the data are painting, markets are nevertheless supported by hopes that Phase 2 will lead to an improvement in the situation in the near future.

Economy and Markets Update

The European Commission has published the economic forecasts for the Eurozone for 2020 with an expected contraction in GDP of -7.7% and a rebound in 2021 of +6.3%. Inflation is expected to fall to 0.2% and then rise to 1.1% in 2021. Budget deficits are expected to aggregate 8.5% of GDP in the area and the public debt to GDP ratio is expected to rise to 102.7% from 86% last year.

The peripheral countries are expected to be the most impacted, with the Greek economy expected to contract by -9.7%, the Italian economy by -9.5% and the Spanish economy by -9.4%. Italy's budget deficit is expected to grow to 11.1% of GDP and the public debt to GDP ratio is expected to rise to 158.9% from 134.8% in 2019.

In Germany, orders to industry for the month of March fell by 15.6% compared to the expected -10%. The final April data for Eurozone Market PMI indices in the services sector were at 12 compared to the expected 11.7. Eurozone retail sales for March were down -9.2% year on year compared to the -8% expected.

In the United States, the ADP Employment Report for April recorded job losses at 20,236,000, a figure slightly higher than the already pessimistic forecast of 20,050,000. This would mean an unemployment rate of at least 16% when this data is published tomorrow.

Yesterday's Market Roundup

With the Japanese market still closed for holidays, the other Asian markets closed positively yesterday, with the exception of Australia which fell by -0.4%. China closed up by +0.6%, Hong Kong by +1.1%, South Korea by +1.76% and India by +0.74%.

European indices turned negative at the end of the trading session with the Eurostoxx50 index down -1.1%. The German DAX fell by -1.15%, the French CAC 40 by -1.1%, the Italian FTSE MIB by -1.3% and the Spanish Ibex by -1.1%. London closed unchanged. The S&P 500 index closed negative at -0.7%, while the Nasdaq managed to close positive by +0.6%.

Yields on the 10-year US Treasury rose slightly to 0.71% (+4 basis points) and those on the 10-year Bund also rose slightly to -0.51% (+6 bp). Further widening of the Italian spread with Germany to 251 basis points (+8 bp).

In Commodities, the uptrend in oil was interrupted with Brent crude oil, which corrected by -6.5% to 29.8 dollars a barrel and the WTI down by -5.9% to 24 dollars a barrel. Gold was down 0.7% to \$1,690 an ounce. The USD appreciated against the Euro at 1.080.

Today's opening bell

Japan reopened after the holidays today, with the Nikkei 225 in slightly positive territory of +0.2% half an hour to closing. The rest of the Asian markets remain mostly negative, with Australia down by -0.4%, China down by -0.3% and Hong Kong down by -0.75%. Korea fell by -0.14% and India by -0.7%.

Little change in the price of oil after yesterday's setback. Gold stable at 1,691 dollars an ounce. The US dollar is almost unchanged against the Euro at 1.080. European futures rose by +0.1% and US futures by +0.5%.

IMPORTANT INFORMATION

Unless otherwise stated, all information contained in this document is from Amundi Asset Management and is as of 7 May 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: 6 May 2020

Doc ID: 1178946