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Amundi
ASSET MANAGEMENT

Latest From the Markets

12 May 2020

Overview

- International stock markets had an uncertain day yesterday; Asian markets uneven, European markets down and Wall Street unchanged, kept afloat by the NASDAQ, which rose for the sixth consecutive day.
- In terms of sector trends, airlines, non-food retail companies and banks came under fire again. The technology, pharmaceutical and biotechnology sectors were positive.

Economy and Markets Update

The markets opened this week amid uncertainty due to fears of a second wave of contagion resulting from the move to “Phase 2” in some countries. The total number of contagions globally currently exceeds 4.2 million with 285,000 casualties. Some countries such as Germany and Korea have reported a resurgence in contagion and the same is feared for the US where, with the exception of the State of New York, the new cases are not close to reaching a plateau yet. Russia is also seeing a significant growth in contagions, at the rate of more than 10,000 new cases per day, which in a short time has brought the country to fourth place in terms of total infections, surpassing Italy.

The European Union Court of Justice issued a press release in response to questions raised about the German Constitutional Court's ruling, which called into question the legality of the ECB's procurement plan. While stating that the Court is not in the habit of commenting on rulings by a national court, it reiterated the following points:

- *"In order to ensure the uniform application of EU law, only the Court of Justice, established for this purpose by the Member States, has jurisdiction to find that an act of a Union institution is contrary to EU law"* and added that
- *"Like other authorities in the Member States, national courts are obliged to ensure the full implementation of EU law. Only in this way can equality between EU Member States be guaranteed"*.

In other words, the European Court of Justice considers that it has sole authority to verify whether the ECB's actions comply with EU law.

Quiet day on the macroeconomic front yesterday. Main point of interest was the release of Italy's March industrial production data, showing a drop of -29.3% year-on-year compared to the expected -20.7%.

Markets are waiting for Wednesday's online Fed conference on the state of the economy. In particular, it will be interesting to see if the Chairman will mention anything about futures on Federal Funds starting to discount negative nominal rates.

Yesterday's Market Roundup

Asia, after positive openings across the board, ended the day uneven. The Japanese Nikkei 225 closed up by +1% and Australia by +1.3%. China closed more or less unchanged at -0.09% while Hong Kong rose by +1.53%. India and South Korea both lost ground, by -0.26% and -0.65% respectively. European markets closed with the Eurostoxx50 index down by -0.84%. The German DAX fell by -0.73% and the French CAC 40 by -1.3%. The Italian FTSE MIB closed at -0.33% and the Spanish Ibex at -1.63%. London slightly positive at +0.06%. US stock markets closed unchanged with the Nasdaq Composite technology positive at +0.8%.

Yields on the 10-year US Treasury rose to 0.71% (+3 basis points) and those on the 10-year Bund to -0.51% (+2 bp). The Italian spread with Germany widened slightly to 238 basis points (+4 bp).

In Commodities, oil was down with Brent crude at -2.7% at 30 dollars per barrel and the WTI almost unchanged at 24.7 dollars per barrel. Gold fell by -0.2% to USD 1,697 an ounce. The USD appreciated against the Euro at 1.081 (+0.3%).

Today's Opening Bell

Generally negative openings in Asia after Trump's statements last night that he was unwilling to renegotiate the "Phase 1" agreement with China and fears of a resumption of contagion after the discovery of 5 new cases in Wuhan. The only exception is the Japanese Nikkei 225, which was in slightly positive territory half an hour before closing at +0.1%. Australia lost -1%, China dropped by -0.7% and Hong Kong by -1.6%. India loses -1.5% and South Korea folds by -0.1%.

There was little change in the price of oil with Brent at 29.8 dollars a barrel and WTI at 24.4. Gold recovered slightly at 1,700 dollars an ounce. The USD remained stable against the Euro at 1.081. European futures fell by -0.1% and US futures by -0.45%.

IMPORTANT INFORMATION

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