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**Amundi**  
ASSET MANAGEMENT

# Latest From the Markets

18 May 2020

## Overview

- Equity markets closed the week in negative territory due to renewed tensions between the US and China, disappointing forecasts on the US economy from the Fed and fears that Western economies may be reopening too early, possibly leading to a second wave of contagion.
- European markets suffered most, with the Eurostoxx50 index down by -4.73% over the week, followed by the US with the S&P 500 index down by -2.3%. Japan and Emerging Markets were down by -0.7% and -1.15% respectively during the week.

## Economy and Markets Update

Trade tensions between the US and China continued to keep the financial markets in turmoil last week. On Friday, tension was further increased by the news that the US Department of Commerce is considering a blockade of semiconductors and software supplies to China's major smartphone manufacturer. This blockade would also apply to non-US companies that use US technology to produce semiconductors. These companies would have to obtain a special license from the US in order to be suppliers to the Chinese company.

On the macroeconomic front in the Eurozone, the Q1 GDP flash data was published, down by -3.8% on the previous quarter (in line with expectations) and -3.2% year-on-year (slightly better than expected). The same data for Germany, showed a contraction of -2.2% on the previous quarter and -1.9% year-on-year. Also published the final Q1 GDP data for Hong Kong, showing a contraction over the previous three months of -5.3% and -8.9% year-on-year.

In Italy, industrial orders contracted in April by -26% year-on-year. In the US, retail sales in April were down by -16.4% compared to the expected -12%. The Retail Control Group figure, used in GDP accounting, was down by -15.3% compared to the expected -4.6%. US Industrial production data for April was also published, with a monthly contraction by -11.2% (expected -11.5%), and capacity utilisation at 64.9% (expected 64%), down from 73.2% in March.

Japanese Q1 GDP was published overnight, showing a contraction of -3.4% annualized, compared to expectations of -4.6%.

## Yesterday's Market Roundup

Mixed closings on Friday in Asia with the Japanese Nikkei 225 up by +0.6% and Australia by +1.4%. China fell by -0.3% and Hong Kong by -0.14%. South Korea and India closed almost unchanged. Closures were up for most European markets, but far from the highs reaching during the day. The Eurostoxx50 index, after having opened up by +1.5%, gradually fell back to +0.4%. The German DAX rose by +1.24% and the French CAC 40 by +0.11%. Italy remained unchanged at -0.09% while Spain lost -1.1%. London closed with an increase of +1%. Positive closing for Wall Street with the S&P 500 index up +0.4%, after being in negative territory until mid-day. Yields on the ten-year US Treasury rose slightly to 0.64% (+2 basis points), while those on the ten-year Bund remained virtually unchanged at -0.53%.

There was little change in the Italian spread with Germany at 239 basis points (+1 bp). In Commodities, the price of oil closed with Brent at 32.8 dollars per barrel (+5.5%) and WTI at 29.7 dollars per barrel (+7.66%). Gold rose by +0.8% to \$1,743 an ounce. The US dollar fell slightly against the Euro at 1.082.

## Today's Opening Bell

Generally positive openings in Asia this morning after Wall Street showing signs of recovery last Friday and the oil price rally continued. The Japanese Nikkei 225 climbed +0.53% and Australia +1.25% half an hour to closing. China is up +0.57% and Hong Kong is up +0.35% and South Korea up +0.86%. The only major market in negative territory is India at -2.45% due to the extension of the lockdown until the end of May.

The price of oil rose further, with Brent crude at 33,54 dollars per barrel (+3,2%) and WTI at 30,7 (+4,25%). Gold rose by +1.1% to 1,760 dollars an ounce.

## IMPORTANT INFORMATION

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