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Amundi
ASSET MANAGEMENT

Latest From the Markets

28 April 2020

Overview

- The week began with optimism, despite the resumption of the oil price correction.
- Volatility in the markets is decreasing, as reported by the US volatility index VIX, which fell to 33.3% after peaking at over 80% in mid-March.
- We expect the rest of the week will see markets focus on US and European central bank meetings and quarterly meetings in the US, with about one-third of the S&P 500 companies reporting Q1 results.

Economy and Markets Update

The week opened in positive territory for international stock markets, despite the renewed slide in oil prices. This was mainly driven by the Japanese Central Bank (BOJ) decision to increase its quantitative easing on corporate bonds and commercial paper and, above all, to announce unlimited intervention on public debt securities.

Both in Europe and in the US, expectations around "Phase 2" have helped support the markets, even though the reopening phase will be patchy with countries like the UK being much more cautious versus their stance at the start of the outbreak. On Sunday evening, Italy announced its plan for a very gradual easing of restrictions, especially with regard to the free movement of people and the opening of businesses, giving priority to production activities. Concerns of a rating downgrade for Italy proved unfounded, as Standard & Poor's left the rating unchanged, although still maintaining the negative outlook.

On a day lacking in significant macroeconomic data, the markets' attention was focused on business results which generally speaking brought no major disappointments and, in some cases, positive surprises from the European banking sector and the medical insurance sector in the US.

The Federal Reserve is due to meet today and tomorrow, but no particular surprises are expected, given the extensive action already taken in recent weeks. The Governing Council of the ECB is also due to meet on Thursday; there may be some news following this, also in light of last week's decision to extend the collateral accepted for loans to the banking system to securities that have lost their highest creditworthiness, the so-called investment grade, due to the current crisis, the now known "fallen angels".

Yesterday's Market Roundup

Positive closures yesterday in Asia, thanks to the decision of the BOJ to further extend quantitative easing programs. The Japanese Nikkei 225 index closed +2.7% and Australia +1.5%. China rose by +0.7% and Hong Kong by +1.9%. South Korea also performed well at +1.8% and India at +1.3%. Very positive also the European closures with the Eurostoxx50 index up by +2.6%, the German DAX and Italian FTSE MIB up by 3.1%. France also did well with the CAC 40 at +2.55%, while the tailight was Spain, though still positive at +1.8% on the Ibex index. London rose by +1.64%. Wall Street also did well and after Friday's positive closing, the S&P 500 index is still up by +1.5%, marking the highest since the beginning of the recovery phase.

Upward yields on the 10-year U.S. Treasury to 0.66% (+6 basis points) and slightly upward also those on the 10-year Bund to -0.44% (+3 bp). In Commodities, oil prices started to drop again with Brent crude oil falling by -6% to 20.1 dollars a barrel and WTI crude oil, which fell by -23.5% to 12.96 dollars a barrel. Gold lost -0.8% at \$1,713.5 an ounce. Finally, the USD was almost stable against the Euro at 1.0825.

Today's Opening Bell

No big changes this morning in Asia, with attention returning to the continuing collapse in oil prices. The Japanese Nikkei 225 index fell by -0.25% and Australia by -0.45% half an hour before closing. China rose by +0.6% and Hong Kong by +0.33%, South Korea rises by +0.35% and India is unchanged.

Oil is falling, with Brent losing -4% at \$19.2 per barrel and WTI -13% at \$11.1 per barrel. Gold is down -1.2% at \$1,693 an ounce. The USD is stable against the Euro at 1.0820. European futures were almost unchanged, while those on the US fell slightly to -0.3%.

IMPORTANT INFORMATION

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