

Confidence
must be earned

Amundi
ASSET MANAGEMENT

Latest From the Markets

6 May 2020

Overview

- Despite the negative macroeconomic data released yesterday, the markets remain optimistic.
- Hopes of a gradual reopening of activities have prevailed over macroeconomic data that forecast a deep recession and the strong recovery in oil prices confirms this desire to look beyond the current crisis situation.

Economy and Markets Update

Yesterday the German Constitutional Court gave the ECB three months to justify the need for the PSPP (Public Sector Purchasing Programme). Should these justifications not be considered valid, the Bundesbank, the German Central Bank, may no longer be able to participate in the purchasing programme, raising serious doubts about the continuation of the programme.

Not only that, but if the ECB's arguments are refuted, the Bundesbank would have to resell the securities already purchased. These amount to over €500 billion since the first PSPP was launched in 2015. The verdict expressed yesterday does not apply to the 750 billion emergency plan known as the PEPP, but to the €20 billion per month purchase plan formulated by former ECB President Mario Draghi. Although the news has negatively impacted peripheral spreads, it has not slowed the partial recovery of stock markets after Monday's sharp downturn.

In addition, the strong recovery in oil prices continued with increases of 17% in Brent and 25% in WTI, which boosted the energy sectors and restored confidence in the stock exchanges in view of the gradual recovery of economic activity.

On the macroeconomic front in the US, the final Markit PMI data for the services sector were published in April, down to 26.7 compared to 38 in March. The same indicator was also published for the UK with a final figure of 13.4 in April.

Yesterday's Market Roundup

Overall positive closures yesterday in Asia with some markets still closed for holidays such as Japan, China and South Korea. Australia closed up by +1.64%, Hong Kong by +1.1%, Taiwan by +0.5% and Singapore by +0.3%. Only India closed in negative territory at -0.8%.

Partial recovery for European stock exchanges after Monday's slide with the Eurostoxx50 index up +2.1%. Among the main markets was the German DAX with +2.5% followed by the French CAC 40 with +2.4% and Italy with +2%. The Spanish Ibex recovered only +1.1%. London closed with an increase of +1.66%. The S&P 500 index rose +0.9%, confirming the good recovery shown on Monday.

Yields on the 10-year US Treasury rose slightly to 0.67% (+4 basis points) and those on the 10-year Bund were almost unchanged at -0.57% (-1bp). The Italian spread widened with Germany to 243 basis points (+9 bp).

In Commodities, the oil rally continued with Brent crude oil up +17.6% to 32 dollars a barrel and WTI up +25% to 25.5 dollars a barrel. Gold remained unchanged at \$1,702 an ounce. The US dollar appreciated against the Euro at 1.084.

Today's opening bell

With the Japanese market still closed for holidays, the other Asian markets opened unevenly. Australia fell by -0.4% half an hour before closing. China is almost unchanged, while Hong Kong is up by +0.9%, South Korea by +1.5% and India by +1%.

IMPORTANT INFORMATION

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