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Amundi
ASSET MANAGEMENT

Latest From the Markets

8 May 2020

Overview

- Developed equity markets closed the day positive yesterday, thanks to encouraging data on Chinese exports, some excellent results in the technology sector and hopes related to “Phase 2”.
- The Nasdaq Composite index has zeroed losses since the beginning of the year.
- Today attention will be focused on US April unemployment figures.

Economy and Markets Update

Some positive news yesterday on the Chinese trade balance which improved sharply to 45.3 billion dollars, compared to the 6.5 billion dollars forecast. Exports in April unexpectedly grew by +3.5% compared to an expected -15.7% contraction, although imports fell more than expected at -14.2% compared to -11.2% expected. However, analysts warn that this is due to the closure of many factories around the world, with only Chinese factories open in April and that the impact of the global lockdown will weigh negatively on the data for the coming months. The sharp contraction in imports on the other hand underlines the weakness of domestic demand.

The Bank of England (BoE) has left interest rates close to zero and the programme of quantitative purchases of government and corporate bonds unchanged at £645 billion. The BoE has said it is prepared to further increase the purchase programme where necessary. The Central Institute stated that the United Kingdom risks the worst economic crisis in over 300 years with a forecast of GDP contraction in 2020 of -14% and then rebounding by +15% in 2021. These assumptions are based on the lockdown ending in June.

In Germany, industrial production for March was down by -9.2% compared to expectations of -7.5%. In France the same figure is down by -16.2% compared to the expected -12.4%. In the Eurozone, the IHS Markit Cons PMI in April was down sharply to 15.1 compared with 33.5 in the previous month. In Italy, retail sales for March fell by -18.4% year-on-year.

In the US, applications for weekly unemployment benefits stood at 3,169,000 compared with the 3,000,000 forecast. Continuing claims, i.e. claims that have lasted at least two weeks, amounted to 22,647,000 compared to the 19,905,000 expected.

Yesterday's Market Roundup

After "golden week" Japan reopened yesterday with the Nikkei 225 in slightly positive territory at +0.3%. Other Asian markets in slight decline with Australia closing at -0.4%, China at -0.3%, Hong Kong at -0.65%, Korea at -0.2% and India at -0.76%. European markets closed positively with the Eurostoxx50 index up by +1.3%. The German DAX rose by +1.44% and the French CAC 40 by +1.54%. Other European countries lagging a little, with the Italian FTSE MIB at +0.5% and the Spanish Ibex at +0.9%. London closed at +1.4%. Positive closing also in the US with the S&P 500 index at +1.15%, although below the day's highs. Strong performance in the Technology sector continues with the Nasdaq up by +1.41%.

Yields on the 10-year US Treasury fell to 0.63% (-8 basis points) and those on the 10-year Bund also fell to -0.55% (-4 bp). The Italian spread with Germany narrowed slightly to 246 basis points (-5 bp).

In Commodities, oil was down with Brent crude oil at -1.3% at \$29.3 per barrel and WTI down by -2.3% at \$23.4 per barrel. Gold rebounded to USD 1,717 per ounce (+1.9%). The US dollar depreciated slightly against the Euro at 1.083.

Today's opening bell

Positive openings in Asia thanks to the resumption of dialogue between the United States and China on the commercial front and the announcement by China that it wants to open up its financial markets more to foreign investment. The Japanese Nikkei 225 is up by +2.3% and Australia by +0.6% half an hour to closing. China is up by +1.15% and Hong Kong by +1%. South Korea is up +1.3% and India +1.7%.

The price of oil rose slightly, with Brent crude at 29.9 dollars a barrel and WTI at 23.98. Gold remained unchanged at 1,717 dollars an ounce. Little change in the US dollar against the Euro at 1.0845. European futures rose by +1% and those on the United States by +1.2%.

IMPORTANT INFORMATION

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