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Fed and ECB stimulate package to confront coronavirus

Last week Fed proceeded to announce some significant measures to increase the liquidity into the market amid concerns over the coronavirus. US market was harmed a lot from the latest news related with the impact of the virus, and many companies suffered as they continue seeing their business collapsing even more day to day. It was the worst week for Dow Jones industrial index, which lost almost 15%, despite the Fed efforts to provide solutions to the business through cutting rates and purchasing in corporate bonds to help business borrow money. US stocks rebounded slightly followed the last week Fed announcement that could spend 1.2 trillion dollars as a stimulus package for the economy. Although the existence of all this uncertainty around us stocks dollar index is appreciated among other major currencies. Rising dollar serves to tighten financial conditions in the U.S and, for international dollar, borrowers who see the cost of repaying those loan rise. The dollar surge reflects global demand for dollars among investors around the world, as they exit down leveraged positions across financial markets. The rising dollar comes with the current deflationary outlook which it's difficult to see. The ECB or Bank of Japan agreed coordinated intervention to strengthen their own currencies. According to new work times Wall street it's coming off its worst week since 2008 financial crisis. The S&P500 fell 15% last week and analysts expecting to see further decline to the markets despite the efforts of the central bank.

European Central Bank announced that will spend 820 billion euros to purchase bonds and securities in private sector to enforce the economy as the coronavirus spread become even more threatening. Euro dramatically fell into very negative territory against dollar last week as the virus hit hard the European stocks. Italy announce lockdown after almost 6000 thousand cases from the virus, fact that led the EU regulators to prohibit the short selling on stocks since the mid of April on major indices, such as Spain, Italy and France. A volatile and preliminary session occurred on European stocks after ECB promote major asset purchase programs to combat the financial difficulties, with STOXX index rising before felling again to the previous major support levels. It has been proved that the ECB measures taken are not enough to enhance investors' confidence, and there is a possibility to see European stocks declining even more as we are facing a global recession that might continue until the end of April.

US, EU & Asian Markets

Asian markets continued falling last week alongside with the US stock market. Rather than cutting rates or promoting a stimulus programs, China's central bank has been more conservative and last week kept unchanged a new benchmark lending rate, which called the loan prime rate in March from the prior month. The PBOc has made some targeted interest rate cuts and announced hundreds of billions of yuan

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in special loans to support businesses that were hit hard from the coronavirus. Central bank of China expects the yuan to be near 7 against the us dollar. The officially set yuan midpoint rate has weakened more than 1.4% against us dollar, however, has climbed more than 4.75% against an official basket of currencies so far this year according to data from Wind Information. The average daily spread between us and Chinese government bond yield was 172 points the last month according to China's foreign exchange regulator, and this makes the Chinese assets more attractive to foreign investors. Japanese yen continue weakening against dollar despite is deemed as a safe haven instrument.

Foreign Currencies

EUR/USD is trading around 1.07, after creating a double-bottom at 1.0635. US politicians failed to agree on a coronavirus stimulus package, sending investors to bonds. The dollar is falling alongside yields, while the situation in Europe is dire. EUR/USD is trading around 1.07, after creating a double-bottom at 1.0635. US politicians failed to agree on a coronavirus stimulus package, sending investors to bonds. The dollar is falling alongside yields, while the situation in Europe is dire. Australia's government on Monday announced a second major economic rescue package worth $66 billion, on top of an initial $17.6 billion package, and more than $100 billion in emergency banking measures to prevent against a credit freeze, according to The Guardian. Japanese yen continue weakening against dollar despite is deemed as a safe haven instrument. USD/JPY breaches 110.00, as US dollar slumps with Treasury yields and USD/JPY breached 110.00, as US dollar slumps with Treasury yields

Gold, Bonds yields and Oil Market Plunged

Gold failed to capitalize on the early uptick last week, despite a fresh leg down in equity markets, while the benchmark of 10-year US bond yield jumped and generated some fresh pressure. Falling bond prices generated an increase in bond yields, so as the coupon rates of bonds increasing, and Federal Reserve Bank promised to purchase billions of dollars on treasuries. As a result, bond market is more attractive now for the investors. There is a lot of uncertainty around the stock market, as a result we expect to see buying pressure for gold at the end of the month. From technical view, in one hour timeframe, the gold is performing a wedge breakout as a bullish reversal pattern and a key support level is at 1545 per oz. If we see a break above 1540, where the gold might find support on 200-day moving average, then this would imply a bullish continuation to reach the level of the 1700$. WTI oil collapsed below week-long range floor and hit new lowest since 2003, as markets continue panic selling on fears of global recession on corona virus pandemic that already slashed demand. Crude oil faced another horrific week, with a loss of 9% during Thursday morning. But selling intensified throughout the session, with US oil finishing down a stunning 24%, settling at just $20.37 a barrel. It was expected to reach the level of $20 per barrel after the refusal of Russia of oil production cut and the oil war with Saudi Arabia with increase in oil supply. Some analysts predict the possibility of $5 oil price per barrel. Despite oil prices rebounded last week on hopes of trillion of dollars stimulus package, more shale drillers are exploring debt restructuring as WTI sinks into mid $20. The global oil demand and gas industry slashed 3 billion from spending plans this month, following the historic collapse in prices. The Saudi Arabia latest claim of supplying markets with 12.3 million barrels per day for the next couple of months cause further collapse in oil prices.

News and Expectations on global markets

Investors and analysts warn that this the beginning of the panic and they access that the SP500 might decline further to 47%

The $30 level above is psychological and perhaps even structural resistance, but it's only a matter of time before we try to get above there and reach towards the $34 level.

Fed President James Bullard cited the possibility of a -50% GDP reading in Q2 alongside 30% unemployment.

Analysts at Goldman Sachs group predict US economy to shrink by 4% in second quarter

Weekly News:

G20 meeting of finance ministers and central banks governors

EUR - Markit Manufacturing PMI (Mar)

NZD - RBNZ Interest Rate Decision

USD - Nondefense Capital Goods Orders ex Aircraft (Feb)

GBP - BoE Interest Rate Decision

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