

27-04-2020**Nikolas Stylianou**

US markets - US stocks closed even lower last Monday as investors were very pessimistic along with the oil future crash prices on May contracts, although plans exist for easing of global lockdowns. Investor's confidence increased about market later on the week, after the adequate stimulus measures for additional funds that were passed from the Senators, of about 484 billion of dollars, a second consecutive additional funding for mainly small businesses. Despite the boost, in general the market remains broken amid weak demand, while pandemic resume to have a direct impact on corporate earnings and economic data. All eyes last week turned to Jobless claims which announced another 4.4 million unemployed people, providing negative output once again. The suspension of most of the US economy due to the pandemic is causing a historic shock, which may push unemployment to 16% or even higher during the month, while making even larger public necessary spending to boost activity to ensure a strong recovery, a White House adviser said Sunday. 26.5 million Americans unprecedented in number, have applied for unemployment benefits since mid-March. Retail sales, new home construction and consumer confidence have collapsed. Congressional Budget Office (CBO) predicts that in the second quarter of the year, US GDP will shrink by 40% on an annual basis, while in the third quarter unemployment will peak, reaching 16%. Prior to the outbreak of the pandemic, unemployment in the United States was as low as 3.5 percent%. US Congress has already approved \$ 3 trillion in public spending.

Asian and European Markets - Along with US and European, Asian equities also fell last week, following oil prices massive historic decline. Australia index dropped by almost 1% as the country's central bank warned about an economic contraction. Asian stocks went higher along with US stocks and continued to grow after the rebounding on crude oil prices and the promise of more US government aid to boost the economy last week. In general investors hope that during September vaccine will be ready for use to confront the virus and this fact will enhance the market confidence and market share will skyrocket. Asian shares went higher on Monday, after the Bank of Japan announced that will enhance its monetary policy, by purchasing in corporate, governments bonds and discount treasury bills, and left the interest rate unchanged. Chinese industrial profits came out according to country's Bureau of Statistics as Chinese economy starts recovering, however China's industrial profits fell 34.9% to \$ 52.36 billion in March last year, reflecting continued pressure on China's manufacturing sector amid slowing global spending. The market expects the government to present a stimulus package after the first week of May to further address the economic crisis from the pandemic, said Xiao Shijun, an analyst at Guodu Securities. China Daily reported the Standing Committee of the National People's Congress is expected to decide on the date of the key annual meeting of parliament this year on Wednesday



European Markets - European stocks began higher last week, as coronavirus cases decreased as a result of the lockdowns measures taken. Last week the European Council announced that will provide recovery fund but postponed the details. Angela Merkel noted that she was open to offering major financial support to confront the pandemic, a recovery package of around 2\$ trillion euro from European Security Fund, however she wanted to see how it will be allocated before committing, for example on whether that should be done in the form of grants or credits or how it should be implemented. European Central Bank Governor Christine Lagarde told leaders the pandemic could cost them between 5% and up to 15% of their economic output, a diplomatic source said. Scholz, the German politician and a Federal Minister of Finance said that the funding had to be linked to the future EU budget and that there needed to be heavy investment at the start of the 2021-27 period. European Central Banks needs to provide more support measures and it may take until the summer period for all the European countries to agree how they will aid their economies to recover from the pandemic as a major disagreements persist, a bloc official said last week. Eurozone PMI index last week came in at 13.5 versus 29.7 in March and was well below the market expectations. European governments have discussed about a possible reopening of the economy in recent days. Any opening will be slow, but investors were optimistic in such scenario, that recovery could begin soon, however further lockdown is possible. Investors are waiting for the ECB meeting, which will decide further stimulus package.

Gold and Treasuries - Gold price became weakening after Trump announced a possible reopen in US economy. After the rally to 1750, a record high for the year, we saw a pullback in gold prices, however the momentum is bullish. If we take into consideration that oil prices moving in very negative territory, this cannot create inflation so it will be more difficult for gold to go higher, along with Trump's announcement of reopening the economy. It is predicted that until June the price of gold will jump approximately to 1800-1850 price level. Last week gold investors manage to keep the price above 1700, the recent support level indicating that gold may get back again above 1800 within May. The recovery in gold price was generated from the pullback on dollar followed by the optimism of the Senators agreement for additional 484 billion funding stimulus package. According to Bank of America, the gold price may reach 3000 per ounce in 18 months timeframe. Oil market dips cannot support oil as deflation exists. It is a manner of time to see gold rally again with weaker dollar. The endless monetary expansion from central banks, including the Fed, to limit the economic damage from the COVID-19 pandemic and the negative jobless claims data are helping gold price to go even higher. Despite that analysts forecast that gold price will touch \$3000 per ounce, the precious metal it is facing now near-term risks. The truth is that gold outperformed the wider market, however a virus vaccine news may lead gold price in very negative territory, along with US economic recovery. Gold began this week by 0.3% lower, and it is expected a pullback to the next support level. The rebound in oil market aid investors to find attraction on government bonds, as we saw bond yields higher. At the beginning of the week the yield on the benchmark 10-year Treasury note was higher at 0.6210% while the yield on the 30-year Treasury bond was up at 1.1947%. Yields move inversely to prices.



Oil Market – Oil futures prices went below zero last week, a massive drop since NYMEX opened futures trading in 1983. The May contracts for WTI that expires last Monday, closed the trading day at -\$37.6 per barrel. This means that anyone who was willing to sell barrels of oil would have to pay the other party, amid lack of supply and storage, as a result producers had to pay the purchasers to take oil off their hands. Analysts believe that the black gold will be the last asset that will recover from lockdown. This caused the plunge also on June contracts that were minus \$6.5 per barrel. WTI crude oil declined by more than 11% to \$10 per barrel and Brent was about less than 16% to \$16 per barrel. The main reason that later on the week oil price started recovering it was that Donald Trump ordered the Navy to destroy any Iranian gun boats that harass American ships at sea, however as analysts said, this is a short term pullback and neither Trump nor supply cut will help oil price reach massive rebound soon. Oil rose also amid hopes that lockdown will soon stop and by the fact that Russia and Saudi Arabia will begin cutting 9.6 million of barrels a day from May 1. Oil price also recovered amid indications that producers from other countries may proceed to cut production as well as OPEC ordered. If we see a relief in oil market, we may not see again negative pricing on next contract's expiration dates. Oil tried to rebound for third day in a row last week after the massive selloff that generated from May contracts where nobody wanted to get the physical delivery. Now the big thing is that there is no place to store all those barrels due to the oversupply, and if they find a place to store it, the storage fees are very high. We may see futures prices go minus 100 as analysts said if no news about lockdowns come out, or if other member countries of OPEC do not proceed to cut production from May 1. It's expected to see further pullback till early May. The big dilemma now is whether oil companies will cut its dividends or cut their operations. Eni big oil company reported on Friday 94% declined in profits for the first quarter. There are many concerns that cuts for May 1 will not offset the lack of demand soon. US crude inventories rose to 518.6 million barrels.

Foreign Currencies - Pound is in pressure as oil futures are now calculated for June contracts and they may drop again. The inflation for March decreased in Great Britain as data showed, caused by oil selloff. Bad Retail sales in the UK last week, fell 5.8% in March compared to the same month last year due to measures against the corona pandemic, according to Britain's National Statistics Office and led pound loose value against dollar, however now commenced recovering along with US negative data. British Prime Minister Boris Johnson is expected to announce plans to ease the lockdown imposed last month to prevent the spread of the pandemic within a week. Euro dollar got affected negatively by the German economic sentiment last week. Additionally, EU meeting which failed to provide stimulus package last week, left the euro being depreciated against dollar reaching the level of 1.075, EU PMI news and US jobless claims later, helped euro to rebound. Despite euro recovered from 1.075 to 1.083 ahead of European announcement of an additional security fund, was quickly depreciated against dollar and was traded again back to 1.076. Euro begun this week higher against dollar and went from the lows of 1.073 last Friday to 1.084, as investors are very optimistic about possible economy reopening and further stimulus measures. Remains to see the Fed interest rate decision. Dollar yen still is in a trading range and it is possible to see dollar become stronger according to UOB group, reaching 108.2 level with support level being at 107. Yen remains bullish and a break above 1.079 targets further upside to 1.085, otherwise support level is at 1.073. Yen started this week higher against dollar as Bank of Japan announced that will enhance its monetary policy and purchase in corporate bonds while leaving the interest rate unchanged. Rebound it is expected to the upside for dollar against Canadian dollar as it remains under pressure caused from oil market the most. The Canadian dollar dropped also, after the nation's death

toll from the virus rose by less than 10%, according to last week data, however the Canadian dollar became recovering along with oil prices and began the week higher against dollar.

Weekly News 27-04-2020 – 01-05-2020

Time	Event	Impact
27-04 03:00 am	JPY BoJ Monetary Policy Statement	High
27-04 03:00 am	JPY BoJ Interest Rate Decision	High
27-04 03:00 am	JPY BoJ Outlook Report(Q1)	High
27-04 14:30 pm	USD Dallas Fed Manufacturing Business Index (Apr)	Medium
27-04 23:30 pm	JPY Unemployment Rate (Mar)	Medium
28-04 08:00 am	EUR ECB Bank Lending Survey	High
28-04 14:00 pm	USD Richmond Fed Manufacturing Index (Apr)	Medium
28-04 22:45 pm	NZD Trade Balance (YoY)(Mar)	Medium
29-04 01:30 am	AUD RBA Trimmed Mean CPI (QoQ)(Q1)	High
29-04 01:30 am	AUD Consumer Price Index (QoQ)(Q1)	High
N/A	CHF ZEW Survey – Expectations (Apr)	Medium
29-04 12:00 pm	EUR Harmonized Index of Consumer Prices (YoY) (Apr)	High
29-04 12:30 pm	USD Gross Domestic Product Annualized(Q1)	High
29-04 18:00 pm	Fed Interest Rate Decision	High
29-04 18:30 pm	USD FOMC Conference	High
29-04 23:50 pm	JPY Industrial Production (YoY) (Mar)	High
30-04 01:00 am	CNY Non-Manufacturing PMI (Apr)	Medium
30-04 01:00 am	CNY NBS Manufacturing PMI (Apr)	Medium
30-04 06:00 am	EU Retail Sales (MoM) (Mar)	Medium
30-04 06:30 am	CHF Retail Sales (MoM) (Mar)	Medium
30-04 07:55 am	EUR Unemployment Rate (Apr)	High
30-04 09:00 am	EUR Consumer Price Index – Core (YoY) (Mar)	High
30-04 09:00 am	EUR Gross Domestic Product (QoQ (Q1)	High
30-04 11:45 am	EUR ECB Interest Rate Decision	High
30-04 12:30 pm	USD Jobless Claims 4-week average (Apr 24)	Medium
01-05 12:30 pm	USD ISM Manufacturing Employment Index (Apr)	High
01-05 14:00 pm	USD ISM Manufacturing Employment Index (Apr)	High