

**21-04-2020****Nikolas Stylianou**

**US markets** - Corporate earnings from commercial businesses and commercial banks such as JP Morgan, took place last week for the first quarter of 2020, and showed that tens billion of dollars have been lost caused by pandemic. Additionally, US retail sales data output for the supply chain revealed lower consumer's purchasing on finished goods and services, however the stock market did not get affected that much, as dollar remained stronger as a safe heaven against other major pairs. US stocks index on futures went higher last week amid hopes that the US will reopen the economy once the pandemic eases, however the market did not react so well, as oil prices fell even lower and continue falling. Market struggle to rebound higher soon, as economist believe that Trump decision to reopen the economy will not succeed, as the pandemic threat will still be there. When it comes to the relationship between stocks and oil, there is an inverse correlation. As oil rises stocks lose value and the opposite. As oil prices are increasing, this causes systemic inflation and increases the cost of companies during the execution of their daily operations and that is one fact that stocks are going up now however analysts expect not soon rebound to the market, as more negative data will come out. This week stock market began lower as investors are very pessimistic along with oil futures crash prices, although the plans for easing of global lockdowns and the senators may struggle, providing potential additional emergency funds for small businesses.

**Asian and European Markets** - Asian stocks went higher today as investors took into consideration some good data of how China began recovering from the coronavirus pandemic. Chinese announcement for March trade data came out even better than was expected. China's exports dropped by 6.6% and it was expected to reach 14%. Imports declined almost 1% which is even better than 9.5% that was expected. Although good data came out, exports still be in trouble. Last week China announced that its Gross Domestic Product fell by 6.8% for the first quarter of 2020 one of the sharpest quarterly contraction in history. International Monetary Fund noted last week that the global economy will suffer its worst year since the depression of 1930 due to the pandemic and the economy might fall by 3% for an amount of \$9 trillion dollars output loss, as a result Asian stocks remain very flat last week and uncertainty remains at high levels. Asian market became vulnerable, as investors believe that a global recession is inevitable and, according to International Monetary Fund, Asia's growth will flat this year and investors will need to adjust their expectations until the end of the year, however as analysts said China's economy will recover faster than US economy, as PBoC has been adding liquidity to the market, cutting interest rates and their lending rates increased by 11.5% year on year in March.

**European Markets** - European leaders began to reopen the European Economy in response to signs that they overcome the virus outbreak. As Chinese economy began recovering and exports were less than expected, European equity markets began the previous week higher, before closing the week slightly lower as the International Monetary Fund announced bad data for global economy, which harmed also the European stocks forcing investors to lose their confidence. European stocks began on Monday higher, as coronavirus cases decreased as a result of the lockdowns measures taken, however closed the day lower. The European Council this week is expected to announce a recovery fund.



**Gold and Treasuries** - The continuously lending support of 2.3 trillion dollars from the US helped the precious metal go even higher to break above 1700 and found next resistance level at 1750 last week. The market concerns were evident from the risk-off tone in the global equity markets, which turned out to be a key factor that helped revive demand for traditional safe-heaven assets, including gold. Last week we observed that gold broke above the resistance level of 1680 and went sharply to 1750 price level surpassing the record high of the year. Now it's a matter of time to see gold price going up to 1800-1850 price range, however we may see a lot of structure before reaching that level like some pullbacks, as Trump announced that US economy will reopen very soon. According to CME, volume on gold futures dropped by almost 60k contracts indicating unstable activity in gold market. We may see a pullback after the rally to \$1750, in 1700 and then back to 1650. It will take time to reach 1800 level, however if we reach that level will be fast and then a pullback its expected before we see a new rally to 2000 record high. 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. Its predicted that until June the price of gold will jump approximately to 1800-1850 price level. As many refineries remain closed the production and delivery of gold is unable. There exists a big difference between spot and future gold price, caused by transport interruption in gold.

**Oil Market** – After OPEC deal to cut oil production to stabilize the energy market, the oil cut production showed that it might not be enough as long as the lack of oil demand exist, and the virus threat remains. The international Energy Agency noted that its predicted that the black gold demand will fall by 9.3 million per day this year, due to implementation of lockdowns around the world. IEA projected that crude demand would fall by 29 million barrels a day and this is equal with 29% of the overall oil demand in daily basis which is 100 million barrels. US energy department has created a plan to compensate the companies which hold 365 million barrels of oil reserves, for emergency. US attempts to negotiate with 9 energy companies to store 23 million barrels for emergency strategic oil reserve, in a favorable price, the lowest price in decades, in order to offset the supply of production which has stopped, with the demand. Saudi Arabia the OPEC leader decreased its selling prices to Asian countries to discount rates for May, by much more than expected margins for the week and kept stable price for Europe and raised the prices for United States. This Monday, futures oil prices went below zero, a massive drop since NYMEX opened futures trading in 1983. The May contracts for WTI that expires today, closed the trading day yesterday at -\$37.6 per barrel. This means that anyone willing to sell barrels of oil must pay the other party, amid lack of supply and storage, as a result, producers will pay the purchases to take oil off their hands. June contracts rose by 4.5% to \$21 a barrel. Analysts believe that the black gold will be the last asset that will recover from lockdown. Brent Futures moved slightly lower to \$25 a barrel today.

**Currencies and Dollar Index** - Euro dollar was expected to reach 1.102 support level due to recent economic news from Fed, along with EU stimulus package, however is traded narrowly and lost momentum to go higher, despite the negative output of US retail sales, jobless claims and the possibility of EU economy reopening last week. In the meantime, the rout in oil prices along with the concerns of North Korea's leader both supporting the safe heaven dollar. Although pound appreciated for a while, the country's GDP for the second quarter dropped by 30% which will cause a massive drop to the pair. Pound went higher in short term after last week's earnings announcement by US commercial bank for the first quarter of 2020, however, now is traded at 1.23 in downtrend, as Brent oil price still worsening and losing value, along with US crude oil. We may see pound go even lower, a fact that is possible as UK government is set to extend the lockdown. On the meantime the rout in oil prices along with the concerns of North Korea's leader both supporting the safe heaven dollar. Canadian dollar was appreciated last Wednesday against dollar before CAD interest rate decision, which finally remain unchanged to 0.25% and led the CAD falling again. The pair remains weaker as the economy of Canada depends a lot from oil prices, which the last days had a massive drop. 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. The attention of the greenback course was turned to US corporate earnings that were announced last week along with Retail Sales and industrial production. DXY began the previous week negatively around two weeks lows near 99.4 following the Fed measures and the further deterioration on the US labor market. Dollar index closed higher after the announcement of US retail sales data last week which enhanced the people fear of recession and triggered a flight to safety for the dollar index. Dollar demand increases against other basket of major currencies during uncertainty. DXY price would find support at \$100 if the risk off tone worsens from last week's US unemployment report, as it did. Dollar index is prolonging the upside momentum this week, reaching above the 100 level, as investors prefer the buck as countries are extending their lockdowns.

### Weekly News 20-04-2020 – 24-04-2020

Time	Event	Impact
19-04 00:00 am	USD IMF Meeting	Medium
19-04 00:00 pm	NZD Consumer Price Index (YoY)(Q1)	High
20-04 01:30 pm	CNY PBoC Interest Rate Decision	High
20-04 06:00 pm	EUR Producer Price Index (MoM)(Mar)	Medium
20-04 12:30 pm	USD Chicago Fed National Activity Index (Mar)	Medium
21-04 01:30 am	AUD RBA Meeting Minutes	High
21-04 05:00 am	AUD RBA Governor Lowe speech	High
21-04 05:00 am	GBP ILO Unemployment Rate (3M) (Feb)	High
21-04 09:00 am	EUR ZEW Survey - Economic Sentiment (Apr)	Medium
21-04 15:30 pm	CAD Retail Sales (MoM)(Feb)	High
22-04 06:00 am	GBP Consumer Price Index (YoY)(Mar)	High
22-04 12:30 pm	CAD BoC Consumer Price Index Core (Yoy) (Mar)	High
22-04 13:00 pm	USD Housing Price Index (MoM)(Feb)	Medium
22-04 23:00 pm	AUD Commonwealth Bank Manufacturing PMI	Medium
23-04 07:30 am	EUR Markit Manufacturing PMI(Apr)	High
23-04 08:00 am	EUR Markit PMI Composite (Apr)	High
23-04 08:30 am	GBP Markit Services PMI(Apr)	High
23-04 12:30 pm	USD Initial Jobless Claims (Apr 17)	High
23-04 23:50 pm	JPY National Consumer Price Index (YoY)(Mar)	Medium

23-04 06:00 am	GBP Retail Sales (YoY)(Mar)	Medium
23-04 08:00 am	EUR IFO – Expectations (Apr)	Medium
23-04 12:30 am	USD Nondefense Capital Goods Orders ex Aircraft (Mar)	High
23-04 14:00 am	SD Michigan Consumer Sentiment Index (Apr)	Medium

