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US markets

Last week we had the Senate votes on coronavirus bill decision, which has passed a $2 trillion coronavirus aid bill, that is the largest economic stimulus in US history. Democrats and Republicans negotiated on this massive stimulus package, while the Democrats criticized the $500 billion fund that the Republican proposal set aside for distressed businesses calling it a bailout fund. They announced plans to buy $250 billion in mortgage backed securities and $375 billion in Treasuries, relaunching their term asset backed securities loan facility to support consumer and business debt. Due to this announcement, US stocks rebound sharply to the upside, generating almost 11% for the previous week. After report came out that the unemployment increased significantly in US as many businesses closed, Donald Trump noted that he is aiming to insure all people who filed for unemployment, and that was another reason that stock market commenced rising, however the US markets are still uncertain as the virus remains a big threat and day to day the cases increase significantly.

Asian and European Markets

Asian stock market, after falling sharply last Monday, observed a rebound along with US stock market, as the US Federal Reserve's sweeping pledge to spend whatever it took to stabilize the financial system. The coronavirus threat remains, as a result Asian markets generated fresh losses today, as investors digested worsening news of the global spread. Additionally, Asian stocks are falling as oil prices drop to 18 year low. Central Bank of China today cut its short term lending benchmark, the repo which are the short term bonds, and injected 7$ billion into the financial system. European stock markets rose strongly, before giving up gains after news that Senate members and lawmakers from the White House administration reached agreement over a $2 trillion stimulus package. European stocks declined today as investors continued to worry about Coronavirus. Over the weekend, the number of cases in the region continued to soar, which raises the likelihood of a longer-than-expected lockdown

Currencies

Euro dollar last week rebounded for almost 400 pips indicating how volatile is the market due to the virus and how the global monetary policies affect the market. Today pound dollar extended losses amid broad US rebound on Friday. The Euro edged lower in early Monday's trading, as bulls enter consolidation after record 4% weekly advance last week and it's currently traded at 1.107. There is no clear direction on dollar yen. The pair fell to 107 sharply as the safe heaven yen drew bids amid falling Asian stocks and treasury yields. Australia's central bank (Bundesbank) warned last week that a recession is unavoidable even with the government's EUR750 billion economic stimulus package. Dollar index became weaker against a basket of major currencies after hitting tops on previous days, signaling a weaker dollar amid coronavirus threats. The positive start of the week in DXY follows further easing by the Public Bank of China, after it reduced the 7-day reverse repo rate to 2.2%, from 2.4% and injected around CNY 50 billion into the system. Bank of England interest rate decision left the bank rate unchanged at an all-time low of 0.1% that caused a sharp momentum to the upside against dollar, however it might find recent support levels as the virus is threatening the country. Dollar yen continues to trade in the red as the rate cut by China has failed to bring cheer to the equity markets. Australian and Canadian dollar are resuming facing drops along with oil prices drop as there exist oversupply and the production increases from Saudi Arabia and Russia

Gold and Treasuries

The Exchange for Physical market is having difficulties meeting the demand for gold for their clients, and therefore spreads between the futures market and the physical market are blowing out. This happened due to the gold refineries stopped their production due to suspension of flights around the world and the global lockdown. After last week's Senate votes on coronavirus bill decision, which has passed a $2 trillion coronavirus aid bill, this led gold to rebound also sharply to the upside, covering all the selloff of the recent weeks where investors sold gold to cover their positions amid coronavirus concerns. With the flood of US Dollars into the markets, firms won't need to sell as many assets to raise cash for margin as they can borrow more Dollars, as we saw with the selling of gold last week. Gold made a rebound of almost 150 dollars within 2 days, which was the highest historic record bounce since 2008 financial crisis. US government bonds also rallied, though, with the yield on the benchmark 10-year Treasury note falling 0.05 percentage points to 0.62 per cent. The bond yields are lowering while bonds prices are increasing amid Fed stimulus package of 2 trillion dollar, which could help gold find higher resistance levels, as investors now find gold more attractive.

Oil Market

Oil price continue falling as the Russia and Saudi Arabia oil war exist. Russia sees a silver lining in the oil price collapse—it now believes that the oil price war will help it win the war for natural gas market share in Europe. US crude oil is traded today below $20 a barrel which is the lowest level of demand within 18 years. Oil prices forecast from analysts and traders believe that the price might fall lower due to the widespread lockdowns across the western world. The surplus in oil supply could approach around 25 million barrels per day the next month and that may indicate overwhelm storage capacity. Producers with the bigger cost like US shale are broadly unprofitable at these oil price levels, although they will wait and hope other producers to stop the production first. Global oil consumption will likely crater by 12 million barrels per day this quarter, or 12%, the steepest decline ever recorded, according to Bank of America.

Expectations:

Covid-19 economic freeze may affect in total 47 million jobs and send the unemployment rate to 32% to the upside according to Fed projections.

The German council of advisors released a weak forecast for the economy. They now expect the economy to slip into a recession in the first half of this year. They expect the economy to weaken by 2.4% this year and by 3.7% in 2021.

The surplus in oil supply could approach around 25 million barrels per day the next month.

It's expected to see gold pullbacks with strong support at 1550 before breaking the recent record high of the year at 1700.

It's expected to see US and Asian stocks recovering in short term and bond prices increasing.

Canadian and Australian dollar might find lower levels. Pound also may go lower after its recent pullback amid coronavirus threats.

Weekly News:

- GBP Gross Domestic Product (QoQ) (Q4)
- EUR Unemployment Rate (Mar)
- EUR Consumer Price Index - Core (YoY)
- CNY Caixin Manufacturing PMI
- USD ADP Employment Change (Mar)
- USD Nonfarm Payrolls (Mar)
- USD ISM Manufacturing PMI (Mar)
- USD Initial Jobless Claims (Mar 27)

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