

11-05-2020**Nikolas Stylianou**

US markets – Beginning of the last week US stocks futures index sentiment decreased violently as investors had doubts about US economy reopening amid signs of conflict between China and America over Beijing's handling of the coronavirus outbreak, despite Fed's extra stimulus announcement the previous days. Generally, investors ignored the reports on growing tensions between China and US and focused only on economy reopening. US stocks went higher last week after many bounces up and down as futures contracts in stock market went up following gains from energy and technology stocks allowed the benchmark to end up in a positive territory. The update on private sector employment from the ADP National Employment for April took place last week. Investors were expecting that the report could show 20 million jobs losses during the previous month. ADP report generally do not reflect the full scale of the employment which left more than 30 million Americans without jobs. The Non-Farm Payrolls report that came out at the end of the previous week provided lower than expected of jobs that were lost during April, and that enhanced more the stock market to close the week even higher. The big dilemma now is if Trump reopens the economy. The more efficient economy but higher potential for more deaths due to pandemic. Stocks began slightly higher this week amid expectations for an economic recovery after the economy reopening, despite that more than 20 million Americans lost their jobs last month.

Asian and European Markets - Asian stocks began the previous week negatively alongside with US stocks as trade war-era geopolitical tensions returned. Additionally, shares fall, caused by Donald Trump announcement that will punish China with new tariffs because of the pandemic outbreak and that decision gave weight to investors sentiment. Asian stock market went higher last week ignoring the fact that Hong Kong economy reported its worst quarter since 1974. Hong Kong index rose however Chinese economy plunged by 8.9% year over year for the first quarter of 2020. Asian stocks continued growing over last week along with oil prices recovery, combined with China's exports that have jumped for April and this could be seen as positive development, as Chinese customs officials said that country's exports in dollar terms rose by 3.5%. Asian stocks also rose after upbeat corporate earnings in US stocks data which was expected to show the worst US unemployment rate in more than 70 years. Asian stock market began this week higher alongside with American stocks as investors looking ahead that more countries trying to restart their economies, however South Korea has warned a second possible wave of coronavirus as infections rebounded. European stocks reacted negatively to US-China trade war tensions as investors lose confidence about US economy reopening, but, from the other hand, investors sentiment remained positive amid expectations that more economies will go toward easing their pandemic lockdown. Additionally, European stocks jumped last Friday tracking gains from US equities future markets and the rise was caused by new talks between US and China about their trade deals. Stox600 index began this week slightly higher with gains of 0.9%.



Gold Market & Treasuries- Gold prices finally did not fail to extend beyond the 1700 price level last week and the investors should take into consideration the US-China trade war which is affected a lot from the virus outbreak and the overall damage in economy. Generally, we observed many bounces and gold is showing a lot of buyers around 1690 range zone, but the continuation of the bullish momentum is only possible above 1695, otherwise we may see gold price drop to the previous support levels. The not so clear path is amid expectation is US economy reopening and it remains to see if prices stay above 1700 price level. Gold price might not achieve to go higher if we see a positive US report about economy reopening soon, however gold supported from oil rebound along and remain in a bullish momentum. We observed a symmetrical triangle in the daily time frame which indicates continuation pattern, but wherever the price goes we will see volatility after the breakout from the triangle. Gold price bounced to the upside by \$20 after NFP report on Friday alongside with initial jobless claims report which showed another 3.2 million workers who lost their jobs. Gold price braked out from the symmetrical triangle pattern but is traded narrowly at the beginning of this week. US Treasury yields fell from three weeks highs as investors find again more attractive the bond market as a part of US government plan to borrow 3 trillion dollars for this quarter. The yield on 10-year note fell to 0.63 from 0.71 and the yield on the 30-year bond fell to 1.31 from 1.41.

Oil Market – Oil prices commenced the previous week negatively after three days of recovery amid May 1 cut production by OPEC members. The reason of that decline was due to worries about the supply after new data production levels in April. As analysts said, we cannot expect oil to recover soon and its predicted that in early 2021 price will go back to \$40. Oil companies and traders believe that the worst-case scenario has already past for oil market contraction, however it will take a lot of time for global oil demand to recover and find balance on supply and demand. After 5 days in a row that oil price increased, we observed a minor fall as US inventories become rising and investors focus on oversupply risks. Technically oil is in overbought momentum according to the Relative Strength index. US Report showed that crude inventories rose by 8.4 million barrels last week more than expected, however oil is in bullish momentum as many countries had ended their lockdowns. Despite that, the Energy information administration announced lower than expected oil inventories in US, the price in oil did not react so well as lack of demand still exists, investors worry about the oversupply chain and we may see some correction again to the downside as we expect prices to drop near the June futures expiration date. Chinese exports announcement of the black gold last week caused some bullish momentum in oil market. Analysts expect that the surplus may shift to shortage of crude as a known condition which is called contango arise where futures prices are above the current market price. Contango can encourage investors to put oil into storage for later sale and that creates storage to rise and is shrinking the storage capacity. Oil prices began weaker this week amid concerns of oversupply. Goldman Sachs is concerned that demand will continue to be weaker until the end of the year. We expect to see oil price reaction after the futures June contract expire. Analysts expect next important key level for oil prices to be around \$30 per barrel but for short term period.

Foreign Currencies - Despite that euro against dollar was appreciated the last two weeks because the ECB left unchanged the Interest rate, last week began the negatively and was trying to make a correction to 1.092 from 1.10. Euro continued to be depreciated against dollar as Deutsche Bundesbank President Jens Weidmann, spoke about COVID-19 and the effects on banks in Germany and said that a rapid and strong economic recovery after the coronavirus crisis is quite unlikely. The drop in the pair also came after weak German data output despite the end of the lockdown. Additionally, we observed some corrections on euro to the upside after the initial jobless claims and NFP report of last week and the pair sustained above 1.08, however further drop to 1.07 is highly expected. Pound dollar price now it is mainly depending on the extension of UK lockdown, as Boris Johnson announced minor extension, however in long term pound will be stronger due to Brexit and free trade. BoE left interest rates unchanged last week at 0.1% lending rate. UK GDP is expected to fall by 14% this year and will be interesting to see the pound reaction against dollar. Pound dollar as it's called Cable is seen ranging between 1.228 and 1.25 for the next few weeks, as FX Strategists at UOB Group suggested. The pair remains under pressure and we expect further drop to the pound as their GDP will drop dramatically this year. Dollar yen was trading narrowly at the beginning of previous week at 108 price level. Investors sentiment was affected from Trump announcement to impose tariffs on China, as a conflict which generated due to pandemic. Dollar yen is currently trading near 106.8 representing 0.23% gain for the day and risk reversals hit 11-week highs. RBA left country's interest rate unchanged to 0.25% and announced the reopening of their economy. According to the economic data, the Retail Sales sector in Australia rose by 8.5% on March however the pair remain flat against dollar for 3 days in a row but finally closed the previous week higher. Aussie dollar also appreciated as China reported a big jump in trade surplus, despite that RBA released its monetary policy which showed that their GDP will fall sharply in the first half of 2020.

Weekly News 11-05-2020 – 15-05-2020

| Time GMT+2 | Event | Impact |
|----------------|---|--------|
| 11-05 13:45 pm | EUR ECB's Mersch speech | Medium |
| N/A | NZD REINZ House Price Index (MoM) (Apr) | Medium |
| 12-05 04:30 am | CNY Consumer Price Index (YoY) (Apr) | High |
| 12-05 15:30 pm | USD Consumer Price Index ex Food & Energy (YoY) (Apr) | High |
| 13-05 05:00 am | NZD Interest Rate Decision | High |
| 13-05 09:00 am | GBP Gross Domestic Product (QoQ) (Q1) | High |
| 13-05 12:00 pm | EUR Industrial Production s.a (MoM) (Mar) | Medium |
| 13-05 15:30 pm | USD EIA Crude Oil Stocks Change (May 8) | Medium |
| 14-05 04:30 am | AUD Unemployment Rate s.a (Apr) | High |
| 14-05 09:00 am | EUR-Germany Harmonized Index of Consumer Prices (YoY) (Apr) | High |
| 14-05 11:00 am | EUR Economic Bulletin | Medium |
| 14-05 15:30 pm | USD Initial Jobless Claims (May 8) | High |
| 15-05 12:00 pm | EUR Gross Domestic Product s.a (QoQ) (Q1) | High |
| 15-05 12:00 pm | EUR Gross Domestic Product s.a (YoY) (Q1) | High |
| 15-05 15:30 pm | USD Retail Sales Control Group (Apr) | High |
| 15-05 17:00 pm | USD Michigan Consumer Sentiment Index (May) | High |