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US markets – US stocks began higher beginning of last week with a partial rebound, after a sharp drop occurred the previous days. Dallas Fed President Robert said that US economic rebound mainly depends on effective public health measure against the virus as there is huge possibility of a second wave. Later in the week, Fed has announced that will continue providing help to big business amid the pandemic and noted that aims to expand the $750 billion emergency corporate dept loan facility to include individual corporate bonds. Stock market short recovery also was caused due to better retail sales data than was expected along with the progress on a virus therapeutic drug. Retail sector showed gains of 18% but is still $50 billion below due to pandemic as Rob Carnell announced. The US stock market lost again it's uptrend direction and was traded modestly after the recent report on meeting between US and Chinese diplomats which was unproductive. Despite that Fed is buying corporate bonds along with record Us retail sales lifted sentiment, the new global coronavirus cases reached a record high by 183,000 in a single day as the World Health Organization announced and caused a modest market by the beginning of this week.

Asian – Beginning of last week, Asian stocks also fell along with US equities amid new fear of a second wave in Beijing. Despite market fall, the industrial production in China increased by 4.4% during May compared to previous year according to National Bureau of Statistics, however the unemployment rate in May reached 5.9% slightly better than April. Another report data showed factories in China increased the production for a second straight month in May, giving investors hope, but also sustained contractions in retail sales and investment. Stocks in Asia commenced lower this week trading as the cases of coronavirus increased again sharply and a possible second wave is coming. China left unchanged its lending rate with 1-year loan prime rate at 3.85% and the 5-year loan prime also unchanged at 4.65%. Investors weighted encouraging signs on policy stimulus against the threats of increased virus cases.

European Markets – European stocks were opened lower last week with a gap to the downside, as it was expected amid the new anti-racism protests that took place in Europe countries and amid worries over a resurgence of the coronavirus in Asia and US. The Fed announcement about US monetary and fiscal stimulus plans aided European stocks to rebound and boosted investors sentiment in face of concerns over second wave of the virus. Another thing that caused EU stocks to advance higher was the German ZEW survey as it was greater than expected with 63.4 rate level against 60, alongside with Chinese announcement onto which China reported that will purchase more US agriculture goods, following a recent mini summit, which in general was unproductive. EU stocks began slightly lower this week as investors reacted in growing concerns over a rise in infections globally and in Germany as well. According to Bloomberg estimates, eurozone governments will borrow a record $ 1.2 trillion euro from markets this year. In total, the debt to be issued by EU institutions and mechanisms, such as the ESM and the EIB, could reach 1 trillion euro until the end of 2021, Citigroup estimates. Eurozone governments will borrow 1.2 trillion this year, after borrowing 870 billion euros in 2019, in an effort to provide support to businesses and households and prevent the explosive rise in unemployment and the collapse of consumption. Their ally is the ECB, which recently expanded its PEPP to 1.35 trillion euros, but also investors, whose "appetite" for government debt is more than increased. Publications are becoming a safe choice for many Eurozone member states. Borrowing through joint ventures is somewhat more expensive, but they can guarantee increased demand and ultimately success. JPMorgan Chase & Co. estimates that about 30% of this year's government bond issues were joint ventures (with a value of up to € 175 billion). The height is 1/3 higher than the levels of the corresponding period last year.

Gold Market – Gold, the globe's universal currency and store of value, is being de-globalized. Mocatta, the largest gold bullion trading company, is being unwound and shut down by Scotiabank. JPMorgan, the leading US bullion bank, is ever more reluctant and slower to take on new counterparties. Gold prices aided amid worries for second virus outbreak, however, today is traded narrowly as there exist uncertainty over economic rebound and a possibility of additional stimulus. Strategists at TD Securities believe a long period of negative rates is here to stay and, therefore, the yellow metal should offer hedge for the investment. Gold failed to benefit from the decline in US dollar in some cases, amid worries of second coronavirus wave. Both the dollar weakness and the recovery in gold could be short-lived if the coronavirus numbers continue to rise in China. Gold did not manage to go higher after Fed announcement about expanding the emergency corporate dept loan facility nor from negative data output of jobless claims report last week. Investors remain frustrated despite the significant fundamental outlook as price range remains between 1680-1750. The precious metal did not manage to surpass the level of 1758 once again due to risk sentiment and, according to Reuters, most private banks usually advise clients to hold no or virtually no gold. Some other banks are advising clients to hold up to 10$ of their portfolio in gold. As cash is devalued by banks QE programs then gold gains in appeal.

Oil Market – Oil prices, also affected from the possibility of a second wave of virus, moved lower with WTI and Brent futures declining by 3% and 2% respectively at the commencement of last week. Both contracts were plunged more than 85% the previous week amid worries of a resurgence of the pandemic, despite that market started strong last week on the back of the OPEC agreement to extend its output cuts. The level of $40 per barrel remains significant resistance level and taking into consideration a possible scenario of a second wave of the virus this may lead to the end of the rally in the oil market. The end of the OPEC deal for oil production cuts could be the start of a new oil price war. Interesting is that China is set to add 440 million of barrels in its inventories for the first half of the year according to HIS, the largest increase ever recorder by any country. Crude oil demand may not recover to pre-pandemic levels until 2022, according to a new report from the (EIA) International Energy Agency. Daily oil supply fell by 12 million barrels per day from OPEC and non-OPEC members. Last week's (API) American Petroleum Institute reported 3.8 million of barrels in inventory for the previous week, lower from the previous report aiding oil prices go higher, however if China will go back to lockdown mode the demand may decline by 10% lower. Oil prices increased due to that OPEC producers and its allies promised to meet their supply cut commitments. Iran and Kazakhstan have set plans to offset the overproduction in May to support the market. If OPEC extend its record 9.7 million barrels per day supply cut beyond July, then there is a possibility for oil to break the strong resistance level at $40 per barrel. Oil prices surged slightly higher this week, but there are concerns for limited recovery in oil demand after record high of new virus infections.

Foreign Currencies – The reversal pattern on Euro/Dollar at the beginning of the previous week was followed by four consecutive negative days for the euro and it is expected to see a sell off to 1.10 price range. The pair was affected from the Eurozone Industrial Production that showed 17.1% contraction and amid a possible scenario of a second wave of virus. Euro gained more than 100 pips after Fed announced extra stimulus plans about its emergency program, along with that the pair had been supported by positive German ZEW survey, however euro plunged lower until the close of previous week. EU leaders held a summit to discuss European Commission's plan which includes 500 billion euros in grants mutually funded. Moving forward, preliminary PMIs and the German IFO survey should provide further details regarding the strength of the recovery in the euro area. Pound/Dollar correctly predicted to drop to the mid-1.2400s in the near-term, as FX Strategists suggested at UOB Group. Data released last days showed that the UK GDP contracted 20.4% in April. The British pound remained well supported beginning of last week by the latest no deal-Brexit optimism and mixed UK monthly employment details did little to provide any extra push as unemployment rate was greater than expected. UK May jobless claims changed 528.9K against 370K that was expected. Boris Johnson said that deal may be achieved by the end of July. The fall in pound caused by the UK CPI index inflation rate has decreased from 0.8% to 0.5%. Despite that Bank of England extended even more its bond-buying program to keep interest rates in low levels, pound dropped more than 100 pips in a single day at the closing of last week. The lack of progress on the EU-UK Brexit trade talks and the heavy economic prints continue to impart downside pressure on the cable. Pound gained more than 50 pips by the beginning of this week and bulls remain hopeful that UK Prime Minister Johnson will ease lockdown measures further. Dollar remained vulnerable against yen below 107 price level as a second wave of coronavirus worry the market as yen was deemed as a safe haven asset during this period. It was expected that BoJ would keep the short-term interest rate target at minus 0.1% and directing 10-year government bond yields toward zero as he finally did. Dollar found some support later in the week, caused from the drop in Japan's exports for May. Japan's preliminary export data plummeted 28.3% versus -17.9% expected and -21.9% prior. Japan's CPI slightly supported yen against dollar at the end of last week, but inflation rate remained flat. BoJ monetary policy meeting suggested that the policymakers worried about the economic conditions and suggested the increase in bond buying. The Japanese yen traded at 106.89 per dollar after seeing levels above 107.4 in the previous week. Dollar/Yen is currently traded at 106.96 this week and it is expected that dollar will continue depreciating against yen as the threat of second wave of virus exist.

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Weekly News 22-06-2020 – 26-06-2020

Time (GMT+3)	Event	Impact
22.06 15:00 pm	EUR German Buba President Weidmann speech	Medium
22.06 18:00 pm	CAD BoC's Governor Macklem speech	High
23.06 10:30 am	EUR Markit Manufacturing PMI(Jun)	High
23.06 11:00 am	EURMarkit PMI Composite (Jun)	High
23.06 11:30 am	GBP Markit Services PMI(Jun)	High
23.06 15:00 pm	USD New Home Sales (MoM) (May)	Medium
24.06 05:00 am	NZD RBNZ Interest Rate Decision	High
24.06 10:00 am	EUR ECB's Lane speech	Medium
24.06 11:00 am	EURIFO - Business Climate (Jun)	Medium
24.06 16:00 pm	CHFSNB Quarterly Bulletin(Q2)	Medium
24.06 22:00 pm	USD Fed's Bullard speech	Medium
25.06 14:30 pm	EUR ECB Monetary Policy Meeting Accounts	High
25.06 15:30 pm	USD Core Personal Consumption Expenditures (QoQ) (Q1)	Medium
25.06 15:30 pm	USD Initial Jobless Claims (Jun 19)	High
25.06 15:30 pm	USD Nondefense Capital Goods Orders ex Aircraft (May)	High
25.06 15:30 pm	USD Gross Domestic Product Annualized(Q1)	High
25.06 15:30 pm	EUR ECB's Schnabel speech	Medium
25.06 15:30 pm	EUR ECB's Mersch speech	Medium
25.06 20:00 pm	GBP BoE's Haldane speech	Medium
26.06 14:00 pm	GBP BoE Quarterly Bulletin(Q2)	Low
26.06 23:30 pm	USD Michigan Consumer Sentiment Index (Jun)	Medium