

01-06-2020**Nikolas Stylianou**

US markets – Investors were and are still focusing on global economies reopening, but despite that stock market was affected a lot from US and China trade tensions the recent days, the previous week ended higher for US stock market. The Chinese proposal, the new national security law to limit the autonomy in Hong Kong, had direct impact to US stock market as Trump threatened China with sanctions, in combination with pandemic economic damage. A war of words is the big threat on economy's recovery between US and China while is expected for less cases to appear and to see a progress on medical solutions and vaccines which caused the stock market to grow rapidly during last week. Additionally, there exist an optimism that more stimulus packages are coming to boost the economy. Dow Jones exceeded 25600 price level and the index's most gains derived from American Express, Goldman Sachs and JPMorgan Chase, all which climbed by more than 5% last week. At the beginning of this week stocks bounced, amid protests within the country erupted after a black man died last Monday following a confrontation with police. White House do not expect that this fact will cause long term economic implications. While this is happening, many retailers and businesses are still exhausted from the pandemic and were caught up in vandalism. Meanwhile Trump announced a number of measures against China's proposal to limit Hong Kong independence. Alongside with all these there is a main point of political controversy between US Republicans and Democrats of how to help the 40 million unemployed Americans. Democrats stress that Congress should expand funding for the millions of Americans struggling to pay their bills, as the United States faces the most volatile economic climate in decades. They claim that the usual unemployment insurance covers only 50% of the average salary of employees.

Asian - Asian stocks were modestly traded last week and closed slightly upward amid US and China tensions the recent days. Asian stocks began with extended losses on mounting fears about future stability. The main reason that stocks were trading lower last week was the new national security law to limit the Hong Kong's autonomy, which forced to increase US and China tensions and Trump announced that he will proceed with new steps against China. Japan's index jumped significantly higher last week as the country announced that a new stimulus package of more than 200 trillion billion yen (925 billion dollars) is on the way to confront the virus which is about 40% of the annual output of the world's third biggest economy. Investors are mainly focused on US and China recent tensions and are taking into consideration a possible sanction over Beijing's crackdown in Hong Kong. Mike Pompeo has noted that Hong Kong is no longer politically autonomous from China, something that could have consequences on its trading status. Asian stock market began this week higher, as the progress on economies opening aid to offset the recent tensions between US and China, as Trump left their trade deal intact for the moment. An official Chinese survey showed increase in factory, however with lower pace during May.



European Markets - European stock market index had its best weekly return in more than a month on Friday's closing as investors worried that China intends to tighten control over Hong Kong with a new security law. Additionally, European stocks edge higher last week as American biotech firm said it started the first human study of its experimental coronavirus vaccine. European stock index Stoxx600 went up more than 120 points, as European Union would announce bigger than was expected 750 billion stimulus programs for economy recovery, along with fresh US unemployment. 500 billion of grants mainly targeting most affected countries such as Spain and Italy and the rest 200 billion would be a package of low interest rates loans. Italy's government bonds increased after the EU package announcement. All eyes turn to the meeting of the European Central Bank on Thursday, which is expected to boost the bond buying program by around 500 billion euros to 1.25 trillion euros. The international rating agency Moody's says the ECB is preparing for a scenario of stronger measures to tackle non-performing loans, such as setting up a "bad bank". The head of the ECB's banking supervision, Andrea Enria, said in a letter to a German lawmaker that he personally supported the creation of a European portfolio management company, the "bad bank", Bad Bank creation, " will be positive for the credit positive of European banks, because it would involve some degree of state support where needed, which would help banks protect their solvency and possibly avoid bankruptcies, "according to Moody's.

Gold Market & Treasuries- Gold sentiment at the beginning of the last week showed that is not unlikely to see gold retesting again the \$1675 price level, in the near term. Citibank was expecting that gold may fall back again between 1600-1700 price range and then will skyrocket to \$2000 per ounce. Gold traders are trying to gauge the impact for gold of increasing geopolitical tensions between US and China and this weigh a lot on investors sentiment. Lowest support level last week for gold was at 1690 per ounce, and higher resistance level was at 1734, showing that bulls sustained the price above 1700, despite that gold was falling for more than 3 days in a row last week. US and China tensions offset the downside for gold. The lowest support at 1690 was caused by the expectation of economy reopening, which boost the investors sentiment. The overall volume has decreased by more than 104k contracts last week according to CME, however the Relative Strength index is in an oversold area. Gold prices moved higher today after the violent protests in US cities while the country is trying to reopen its economy, along with the uncertain relationships between China and America. According to CME gold futures shrunk by 23K contracts last Friday, however, there is high probability to see gold touching yearly highs near 1770.

Oil Market – As per analyst's prediction despite that oil prices have climbed since late April, gains could be coming to an end. China's oil demand has climbed by 13 million barrels per day, amid worries about China growth and fresh tension between Washington and Beijing. Over the last few months oil demand plunged to a record lows, however Russia's oil Minister sees oil supply and demand situation rebalancing within two months period. He also said that the global surplus ranging between 7-12 million barrels. US shale drillers will be unprofitable even if oil prices were twice today's levels, however oil is indicating bullish signs. Generally, despite that the recent weeks showed that demand has rebounded, most countries remain significantly below pre-Covid levels. Morgan Stanley said that expect demand to rebound by 97 million barrels per day by fourth quarter of 2020. A reason why oil price was unstable last week is that China reduced the annual GDP growth rate due to the pandemic effect, along with the tensions with US. Energy Information Administration report yesterday announced that US inventories showed a pick-up in refinery activity last week. WTI has broken to the upside the recent downfall and is

currently traded at 35.5 dollars per barrel. US oil producers cut around 400 billion of dollars from capital spending budgets and WTI now targets \$40 per barrel, in the short-term horizon.

Foreign Currencies – Last week we had news on German IFO Business climate index rate which showed greater rate than expected at 79.5 leading euro appreciating against dollar, despite that the recent refusal of German court against buying sovereign debt under ECB's program threatened the euro. ECB's President Lagarde speech last week had direct impact on euro, as European Union announce that will provide another 750 billion euros for the economy and finally euro confirmed the bullish signal and surpassed well enough above the 1.10, reaching the 1.11 price level amid positive tone. This came alongside, with negative US jobless claims report that was worse than expected with more than 2 million unemployed. At the beginning of this week Euro/dollar exceeded well enough the 1.11 price level and is currently traded at 1.115, with next resistance levels be around 1.117 and 1.123. It is obvious that the pair is showing string bullish momentum. This caused amid optimism for the EU recovery fund along with dollar weakness as protests spread within the country. Additionally, there are expectations that the ECB will likely boost the bond-buying at its monetary policy meeting this Thursday. GBPUSD began last week below 1.21 price level, as investors continued speculating about the Bank of England setting negative interest rates and Boris Johnson was under pressure after his senior adviser violated the lockdown. Pound remained weaker for the last three weeks as there are expectations that the BoE may adjust negative rates in combination with Brexit uncertainties. The UK OM spokesman said the Brexit will not be extended beyond the end of the year. EU is willing to drop its approach on fisheries in the next round of Brexit negotiations starting this week. Bank of England has stated that it predicts rapid recoveries from the current deep recession, but UK GDP and is expected to be lower than 4% in 2024 and according to independent economist and UK may have a national income deficit of 5% by next election in 2024. The BBC reports that the production of the British car industry last April decreased by 99.7% compared to the same period last year. According to expert estimates, the loss from the construction of 400,000 cars that would normally take place in April in Great Britain is expected to cost the sector at least 12.5 billion pounds from lost revenue. At the end of the week Pound was appreciated against dollar, as US economy contracted by 5% annualized rate during the first quarter of 2020. USDJPY commenced to 107.7 and rose by 0.08% for the day. We expect yen to appreciate in short term as Japan announced another stimulus package of 925 billion dollars. The US and China tensions favored Yen and exerted pressure on dollar. Dollar was only supported by the positive mood around the equity markets as a result the pair was currently traded on sideways at 107.5 price level. Dollar/Yen began this week in a consolidate range. Dollar was narrowly traded in Asia, however the renewed yen selling on return of risk sentiment after Trump left US-China trade deal untouched as well as Chinese PMI news suggest range trading with upside bias remains.

Expectation - With the pandemic in mind, banknotes may fall in various economies around the world, as the way virus spreads through touch raises questions for the next day, with some thinking of alternatives such as cryptocurrencies. As people's lives tend to become even more digital, the transition to a cashless society is more immediate, as citizens who have used them have begun to prefer cards. The World Health Organization has warned that banknotes are spreading the infection, as the virus could remain on the surface for several days. The cash has been accused of being used by drug traffickers, terrorists, tax evaders. They are now a deadly disease carrier. Absolutely digital money is the -not so hidden- desire of

the banking elite and will definitely address the banking crises, as the risk of bank run will disappear forever and It will be impossible to withdraw your money from the banking system.

Weekly News 01-06-2020 – 05-06-2020

Time (GMT+3)	Event	Impact
01.06 11:00 am	EUR Markit Manufacturing PMI(May)	Low
01.06 11:30 am	GBP Markit Manufacturing PMI(May)	Medium
01.06 17:00 pm	USD ISM Manufacturing Employment Index (May)	High
01.06 17:00 pm	USD ISM Manufacturing PMI(May)	High
02.06 07:30 pm	AUD RBA Interest Rate Decision	High
02.06 07:30 pm	AUD RBA Rate Statement	High
02.06 09:30 am	CHF Real Retail Sales (YoY)(Apr)	Medium
03.06 04:30 am	AUD Gross Domestic Product (QoQ) (Q1)	High
03.06 12:00 am	EUR Unemployment Rate (April)	High
03.06 17:00 am	USD ISM Non-Manufacturing PMI(Apr)	High
03.06 17:00 pm	CAD BoC Interest Rate Decision	High
04.06 09:30 pm	CHF Consumer Price Index (YoY)(May)	Medium
04.06 14:45 pm	EUR ECB Interest Rate Decision	High
04.06 15:30 pm	USD Initial Jobless Claims (May 29)	High
04.06 15:30 pm	EUR ECB Monetary Policy Statement and Press Conference	High
04.06 21:00 pm	CAD BoC's Gravelle speech	Medium
05.06 15:30 pm	USD Nonfarm Payrolls (May)	High
05.06 15:30 pm	USD Unemployment Rate (May)	High
05.06 15:30 pm	CAD Net Change in Employment (May)	High