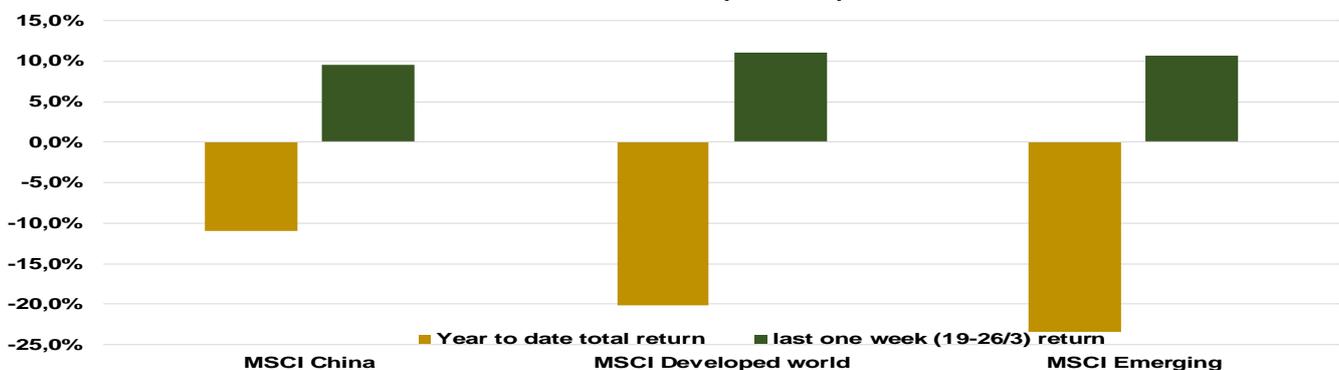


In this week, volatility remained high. There is no clarity on when there will be a result in containing the spread of coronavirus. Global efforts include testing of existing medicines used for other illnesses, trials for new medicines and vaccines. The coronavirus is having a profound and serious impact on the global economy and policymakers are looking for ways to respond. Success in containing the virus comes at the price of slowing economic activity. The bear market is the result of investors dealing with the fear and uncertainty of a pandemic, combined with a sharp slowdown in economic activity and an oil-price collapse. Market shifts have been fast and vicious. Illiquidity is playing a big role in volatility in the past few weeks, as investors sell securities to raise cash.

At the start of the week, the **S&P 500** index posted the lowest closing price (23/3: 2,237) since December 2016. During the last three days, an attempted recovery of market sentiment is ongoing. The index bounced up by 17.5% (23-26/3) at 2,630. The area of 2,685 (20% from 2,237) – 2,710 (-20% from historic high: 3,386) is important.

Macroeconomic figures are heading lower. **Eurozone** composite PMI dropped in March at historic low (31.4) and the **German IFO** business climate index retreated at a low (86.1) since July 2009. **US** initial jobless claims increased ten-fold at the worst historically. Monetary and fiscal easing measures have been added. In the **US**, a large fiscal stimulus amounting \$2 trillion was agreed. This stimulus includes \$500 bn. support for companies and measures to support the airline industry. Furthermore, \$350 bn. will be used for financing small enterprises. US medium to low income individuals will directly receive \$1,200 and \$500 for each child. On the monetary side, the **Federal Reserve** announced earlier this week that it will be buying any amount of a wide range of bonds needed, in order to smooth market conditions. The **ECB** is already conducting its own large scale quantitative easing.

In **China**, there is progress in gradually normalising economic activity. Estimates about the resumption of work rate in China, range in the area of 80% - 85%. Some lockdown measures have been lifted in Hubei province. In the last one week, there is an attempted market recovery, in which the **MSCI China index** has risen by 9.2% (19-26/3: 9.5%). Since the start of 2020, the MSCI China index exhibits lower losses compared to the **MSCI emerging index** and the **MSCI developed index**.

Year to date, last one week (19-26/3) total returns


Source: Bloomberg

Despite the recent attempted recovery of main equity markets, the risks are high. The IMF has said that the global economy will face recession at least as severe as in 2008. EUR/USD has ranged from \$1.0640 to \$1.1090 (200-day average) during this week. Resistance is at the area of \$1.1100-90, support is at \$1.0570. Monetary expansion is benefiting the price of gold (27/3: \$1,630/ounce), having risen by around 8.4% versus last Friday (20-27/3).

The week ahead:

US non-farm payrolls (3/4) may have dropped in March 2020 (median expectation: -81,000) for the first time since 2010, a sign of economic recession. **Eurozone** economic sentiment index (30/7) may have dropped at seven-year low (median expectation: 92).

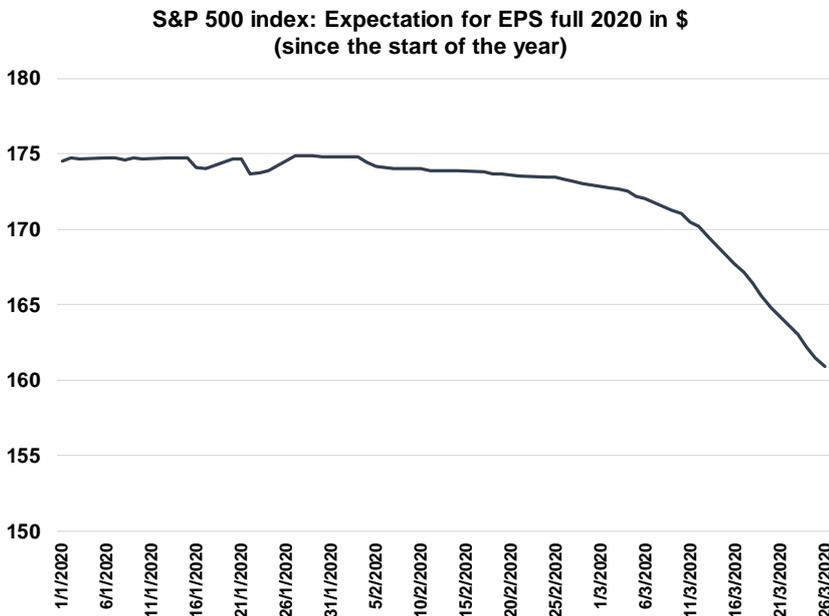
The negative economic impact from the coronavirus has hurt market sentiment. Defensive investment mix is needed. The efforts to contain the coronavirus spread and the fiscal stimulus in major countries may result in economic stabilization around the fourth quarter of the year.

Quote of the Week:

The Finance Minister of Germany Olaf Scholz said: "Germany is considering a timely and temporary stimulus to revive growth, once the coronavirus epidemic subsides".

Global Markets in Charts

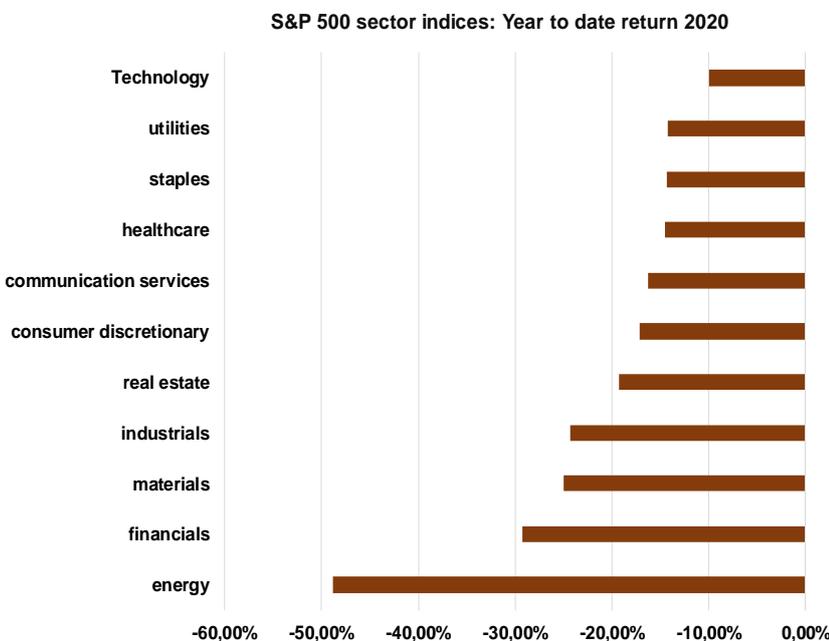
Taking into account the worsening of economic conditions, it is reasonable to assume a significant drop of profitability on yearly basis, starting from the first quarter of 2020.



During the previous recessionary period, company profitability dropped substantially. In the US, the adjusted earnings per share of the S&P 500 index dropped by double digit percentage terms on yearly basis in the 4th quarter of 2007 and during 2008. Up to now, expectations for drop of EPS in the first quarter, are relatively modest (at around -3.5%), but more downward revisions will follow.

For the full year 2020, the expectation for EPS has already been revised lower by 8%, compared to the expected at the start of the year.

Combining an aggressive sector (technology) with three defensive sectors (consumer staples, utilities, healthcare) has performed better than the overall market year to date.



The technology, staples, healthcare and utilities sector indices have dropped less, year to date, compared to other sectors. This is similar, if the S&P Global sector indices are used.

Regarding the overall US market, it is important to see, whether the ongoing bounce of the last couple days can exceed the area of 2,685 on closing price level (20% from the close of 23/3: 2,237) or instead selling pressure will intensify again. In such a case, revisiting the 2,240 area, or lower, is a risk.

Sources: Bloomberg

Global Markets Minesweeper
Event Risk Calendar, 30 March - 03 April 2020

Monday 30/3						
Date Time	Country	Event	Period	Survey	Prior	
30/3 12:00	EC	Economic Confidence	Mar	91.3	103.5	🔴*
30/3 12:00	EC	Consumer Confidence	Mar F		-11.6	
30/3 15:00	GE	CPI (YoY)	Mar P	1.4%	1.7%	
30/3 17:00	US	Pending Home Sales (MoM)	Feb	-1.8%	5.2%	
30/3 17:30	US	Dallas Fed Manf. Activity	Mar	-9.5	1.2	
Eco Event	EC	Euro-area finance ministers hold a conference call about the ESM				
Corp. Results		CH: Agricultural Bank of China				
Tuesday 31/3						
Date Time	Country	Event	Period	Survey	Prior	
31/3 02:01	UK	GfK Consumer Confidence	Mar	-15	-7	
31/3 02:30	JN	Jobless Rate	Feb	2.4%	2.4%	
31/3 02:50	JN	Retail Sales (MoM)	Feb	-1.5%	1.5%	
31/3 02:50	JN	Industrial Production (MoM)	Feb P	0.0%	1.0%	
31/3 04:00	CH	Composite PMI	Mar		28.9	
31/3 04:00	CH	Manufacturing PMI	Mar	45.0	35.7	🔴*
31/3 04:00	CH	Non-manufacturing PMI	Mar	42.0	29.6	🔴*
31/3 08:00	JN	Housing Starts (YoY)	Feb	-14.7%	-10.1%	
31/3 09:00	UK	GDP (QoQ)	4Q F	0.0%	0.0%	🔴*
31/3 09:00	UK	GDP (YoY)	4Q F	1.10%	1.10%	
31/3 12:00	EC	CPI Estimate (YoY)	Mar	0.8%	1.2%	🔴*
31/3 12:00	EC	CPI Core (YoY)	Mar P	1.2%	1.2%	
31/3 16:00	US	S&P CoreLogic CS 20-City (MoM) SA	Jan	0.40%	0.43%	
31/3 16:45	US	MNI Chicago PMI	Mar	44	49	
31/3 17:00	US	Conf. Board Consumer Confidence	Mar	114.0	130.7	🔴*
Eco Event	EC	ECB Governing Council member Robert Holzmann speaks in Vienna (12:00)				
Wednesday 1/4						
Date Time	Country	Event	Period	Survey	Prior	
1/4 04:45	CH	Caixin China PMI Mfg	Mar	45.0	40.3	🔴*
1/4 10:55	GE	Markit/BME Germany Manufacturing PMI	Mar F	45.6	45.7	🔴*
1/4 12:00	EC	Unemployment Rate	Feb	7.4%	7.4%	

March 27, 2020

1/4 15:15	US	ADP Employment Change	Mar	-125k	183k	🌐*
1/4 16:45	US	Markit US Manufacturing PMI	Mar F		49.2	
1/4 17:00	US	ISM Manufacturing	Mar	46.0	50.1	🌐*
Eco Event		End of current OPEC+ deal. Every member country is free to pump oil at will				
		Thursday 2/4				
Date Time	Country	Event	Period	Survey	Prior	🌐*
2/4 15:30	US	Trade Balance	Feb	-\$43.6b	-\$45.3b	🌐*
2/4 15:30	US	Initial Jobless Claims	28-Mar		3283k	
2/4 17:00	US	Factory Orders (MoM)	Feb	-0.3%	-0.5%	
2/4 17:00	US	Durable Goods Orders (MoM)	Feb F		1.2%	🌐*
		Friday 3/4				
Date Time	Country	Event	Period	Survey	Prior	🌐*
3/4 04:45	CH	Caixin China PMI Services	Mar	39.5	26.5	🌐*
3/4 10:55	GE	Markit Germany Services PMI	Mar F	34.3	34.5	🌐*
3/4 11:00	EC	Markit Eurozone Services PMI	Mar F	28.4	28.4	🌐*
3/4 11:30	UK	Markit/CIPS UK Services PMI	Mar F	35.3	35.7	🌐*
3/4 12:00	EC	Retail Sales (MoM)	Feb	0.1%	0.6%	🌐*
3/4 12:00	EC	Retail Sales (YoY)	Feb	1.7%	1.7%	
3/4 15:30	US	Change in Nonfarm Payrolls	Mar	-81k	273k	🌐*
3/4 15:30	US	Unemployment Rate	Mar	3.8%	3.5%	
3/4 15:30	US	Average Hourly Earnings (YoY)	Mar	3.0%	3.0%	
3/4 17:00	US	ISM Non-Manufacturing Index	Mar	48.0	57.3	🌐*

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