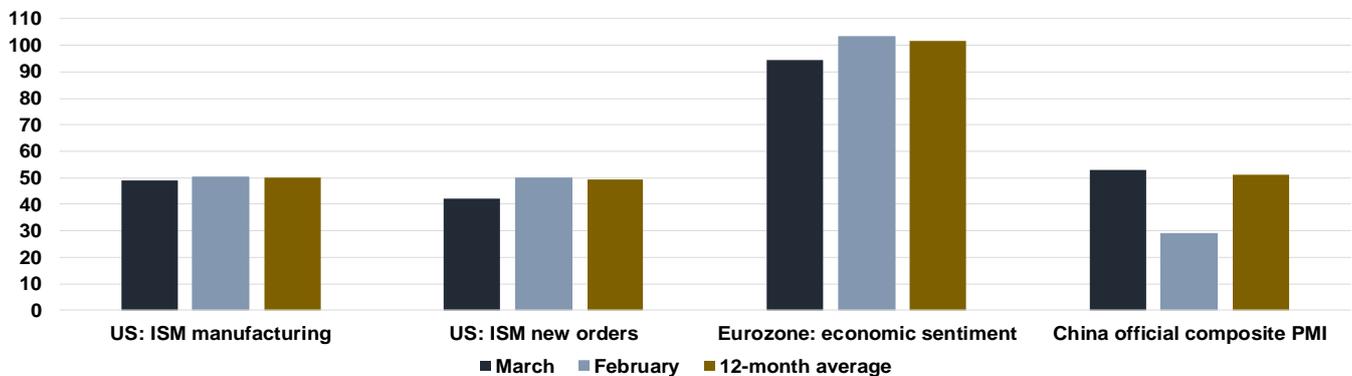


The current week started with upwards reaction in risky assets, but downwards pressure resumed. The spread of the coronavirus and the economic effect from lockdowns around the world, continues to negatively impact market sentiment. Fitch expects drop of global economic activity by 1.9% in 2020, as it estimates GDP decline of 3.3% in the US and 4.2% in the Eurozone. Macroeconomic figures announced during the week were mixed. In the **US**, the ISM manufacturing index dropped in March, but at a level better (49.1, February: 50.1) than expected (44.5). In contrast, the ISM new orders index dropped at eleven-year low (42.2), along with the ISM employment index (43.8). **Eurozone** PMI manufacturing index declined in March at a low (44.5) since July 2012 and the economic sentiment index at a low (94.5) since August 2013. On the other hand, **China** official composite PMI recovered in March at expansion level (53, February: 28.9). The Caixin composite PMI increased at 46.7 in March (February: 27.5). The Caixin PMI services recovered in March at 43 (expected: 39, February: 26.5), but indicates contraction of the sector. Overall, the latest figures suggest initial signs of gradual resumption of economic activity in China.

Selected economic figures of this week: US, Eurozone, China


Source: Bloomberg

The **S&P 500** index reacted upwards by almost 17.5% in the period from March 23 (2,237) to March 26 (2,630), while it is currently at 2,527 (2/4). The resistance area of 2,685 (20% from 2,237) – 2,710 (-20% from historic high: 3,386) is key, while support is at the area of 2,250. The Stoxx 600 Europe attempted upwards reaction by 14.9% in the period from March 18 (279.7) to March 26 (321.4), but the index is much below the level it ended 2019 (415.8).

US 10-year yield dropped (2/4) at a low (0.565%) since March 10 and the German 10-year yield declined at two-week low (30/3: -0.551%), as the Fed and the ECB are conducting monetary easing and the economies are heading towards recession. EUR/USD is below (3/4: \$1.080) the 200-day average (\$1.1070). Support is at \$1.0570, while resistance is at the area of \$1.1100. The price of gold (3/4: \$1,610/ounce) remains above its 200-day average (\$1,515/ounce). The price of WTI crude oil dropped at 18-year low (30/3: \$19.27/barrel), at the start of the week, but then recovered at \$27/barrel area (2/4), while it is currently around \$25/barrel (3/4). China said that will start buying oil for its state reserves, following the significant drop of the price recently. US President said (2/4) that expects Saudi Arabia and Russia to cut oil production by 10 million barrels per day. According to the press, a virtual OPEC+ meeting will be held on Monday.

The week ahead:

Following the announcement of **US** non-farm payrolls today (3/4), which have probably posted a monthly negative change (median estimate: -100,000) for the first time since 2010, the next week includes the Sentix investor confidence for April (6/4) in **Eurozone** and industrial production for March (7/4) in **Germany**. In the US, both the headline and the core inflation (10/4) have probably dropped in March.

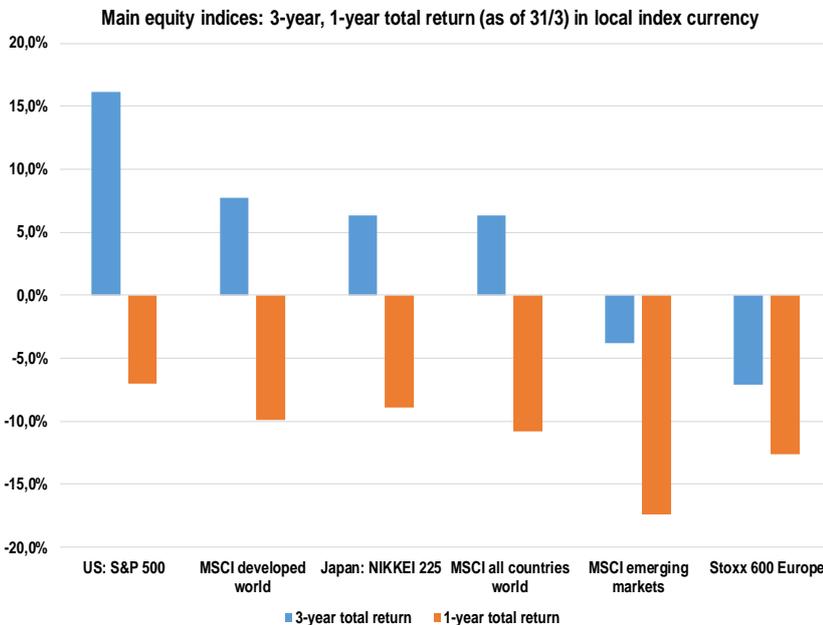
Defensive investment mix is still needed, as economic figures have started reflecting the downwards impact from the coronavirus spread. A negative feed-back loop between economic figures and worsening financial conditions is probably ongoing. In case, activity gradually re-starts in major economies at some point during the second quarter, it is possible to see recovery of market sentiment, but this is uncertain. Fiscal expansion will offer support for economies, probably from the second half of the year.

Quote of the Week:

The World Health Organization said: “Countries must set comprehensive strategies to fight coronavirus and stick to them. They should be careful not to be changing policies every single day”.

Global Markets in Charts

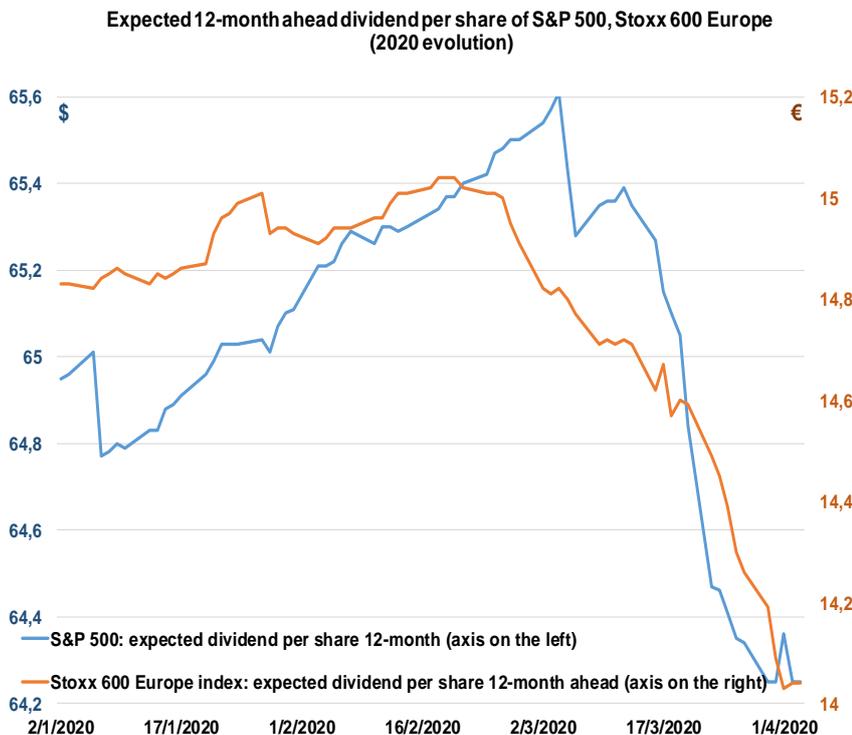
The MSCI all countries equity index maintains positive 3-year total return, supported mainly by the positive performance of the US market. The total return of the last one year turned negative, after the drop year to date.



Despite the drop since the start of 2020, the S&P 500 index maintains positive 3-year total return of 16.1% (as of end of the first quarter). The overperformance of the US market has supported the MSCI All countries world index, which exhibited 3-year return of 6.3% (in \$). The underperformance of Stoxx 600 Europe index continues.

The MSCI emerging index has negative 3-year total return. MSCI Latin America and emerging Europe were deeply negative, while positive 3-year total return was posted by MSCI China, BRIC and Asia. One-year returns were negative for all the emerging indices mentioned above.

The declining economic activity is expected to affect profitability. Downgrading of estimated dividends is ongoing.



Sources: Bloomberg

The downgrades of expected dividend per share for 12 months ahead for main equity indices is already noticeable, but more downward revisions will most probably follow.

For the Stoxx 600 Europe index, the expected dividend per share for 12-month ahead is now by 5% lower versus the start of the year and by more than 7% lower versus the peak of expectations, in mid-February. European consumer discretionary, financials and industrials are more hit with downgrades of estimates. In contrast, health, technology and utilities appear resilient.

Estimated cuts are smaller for the S&P 500 (around -2% versus the peak in mid-February).

For the emerging index, estimated dividend per share for 12-months ahead is already lower by 10% versus the start of the year.

Global Markets Minesweeper
Event Risk Calendar, 6 - 10 April 2020

Monday 6/4						
Date Time	Country	Event	Period	Survey	Prior	
6/4 09:00	GE	Factory Orders (MoM)	Feb	-2.0%	5.5%	
6/4 11:30	EC	Sentix Investor Confidence	Apr	-30.3	-17.1	
Markets closed in China (Tomb Sweeping Day)						
Eco Event		Possible OPEC+ meeting				
Corp. Results		KS: Samsung Electronics				
Tuesday 7/4						
Date Time	Country	Event	Period	Survey	Prior	
7/4	CH	Foreign Reserves	Mar	\$3096.25b	\$3106.72b	
7/4 08:00	JN	Leading Index CI	Feb P	92.0	90.5	
7/4 08:00	JN	Coincident Index	Feb P	95.8	95.2	
7/4 09:00	GE	Industrial Production WDA (YoY)	Feb	-2.90%	-1.30%	
7/4 22:00	US	Consumer Credit	Feb	\$13.500b	\$12.021b	
Corp. Results		RU: Sberbank of Russia				
Wednesday 8/4						
Date Time	Country	Event	Period	Survey	Prior	
8/4 02:50	JN	Core Machine Orders (MoM)	Feb	-2.9%	2.9%	
8/4 02:50	JN	BoP Current Account Balance	Feb	¥3067.2b	¥612.3b	
8/4 02:50	JN	Trade Balance BoP Basis	Feb	¥1213.6b	-¥985.1b	
8/4 02:50	JN	Core Machine Orders (YoY)	Feb	-3.0%	-0.3%	
8/4 08:00	JN	Eco Watchers Survey Current SA	Mar	22.0	27.4	
8/4 08:00	JN	Eco Watchers Survey Outlook SA	Mar	19.0	24.6	
Eco Event	US	FOMC Meeting Minutes (18-Mar) (21:00)				
Corp. Results		UK: Tesco, GE: Wirecard				
Thursday 9/4						
Date Time	Country	Event	Period	Survey	Prior	
9/4 09:00	UK	Industrial Production (YoY)	Feb	-2.9%	-2.9%	
9/4 09:00	UK	Manufacturing Production (YoY)	Feb	-4.0%	-3.6%	
9/4 09:00	UK	Trade Balance GBP/Mn	Feb	£1000m	£4212m	
9/4 09:00	GE	Trade Balance (Euro)	Feb	15.0b	13.8b	

April 3, 2020

9/4 09:00	GE	Current Account Balance	Feb		16.6b	
9/4 09:00	JN	Machine Tool Orders (YoY)	Mar P		-29.60%	
9/4 15:30	US	PPI Final Demand (YoY)	Mar	0.5%	1.3%	
9/4 15:30	US	PPI Ex Food and Energy (YoY)	Mar	1.2%	1.4%	
9/4 15:30	US	Initial Jobless Claims	4-Apr		6648k	
9/4 17:00	US	U. of Mich. Sentiment	Apr P	80.0	89.1	🌩️*
Corp. Results		JN: Fast Retailing, Seven & I Holdings				
		Friday 10/4				
Date Time	Country	Event	Period	Survey	Prior	🌩️*
10/4 02:50	JN	PPI (YoY)	Mar	-0.1%	0.8%	
10/4 04:30	CH	PPI (YoY)	Mar	-1.1%	-0.4%	
10/4 04:30	CH	CPI (YoY)	Mar	4.9%	5.2%	🌩️*
10/4 15:30	US	CPI (YoY)	Mar	1.6%	2.3%	🌩️*
10/4 15:30	US	CPI Ex Food and Energy (YoY)	Mar	2.3%	2.4%	🌩️*
		Markets closed in US, Germany and UK (Good Friday)				
Corp. Results		JN: Aeon				

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