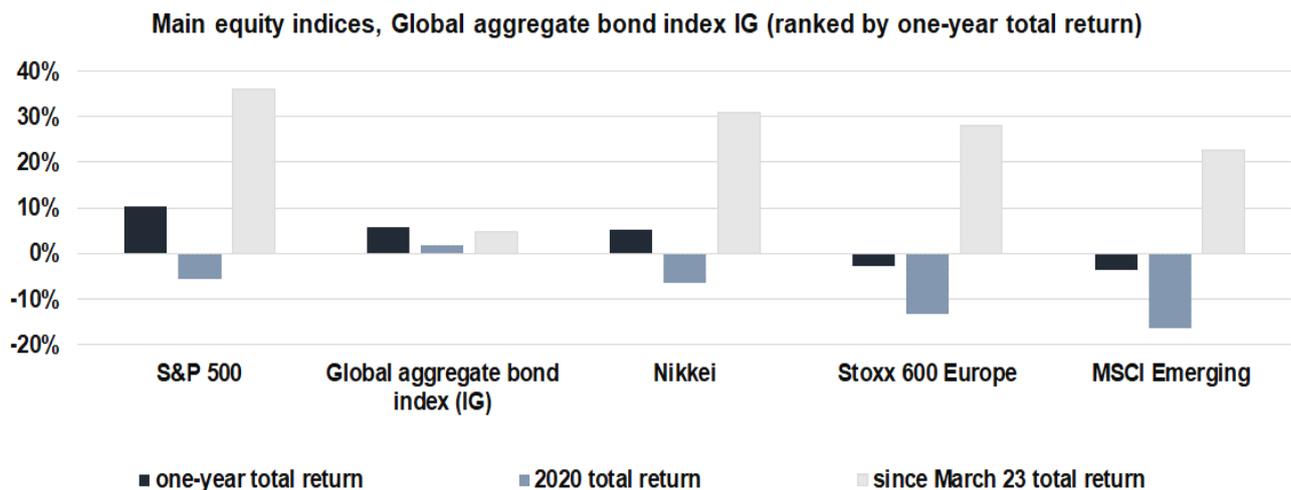


During the week, the main equity indices continued upwards. The expectation for at least partial treatment of the coronavirus, the gradual reopening of the economy and the large scale fiscal and monetary stimulus have supported equity markets. In the **US**, the director of the National Institute of allergies and infectious diseases A. Fauci said (27/5): "we may have a vaccine by the end of the year". In **Europe**, the European Commission proposed the establishment of an economic recovery fund, which aims to provide €500 bn. of support in the form of grants and €250 bn. of loans. Out of the €500 bn., the €81.8 bn. will be for Italy and the €77.3 bn. for Spain, as these were the countries mostly hit by the coronavirus. Significant amount of grants (€22.5) will be provided to Greece. The European recovery fund will be funded by joint debt issuance. It is noted that there are countries, which have objections.

Looking at equities and bonds performance, the one-year total return of the S&P 500 index is at 10.3%, followed by the Bloomberg Barclays global aggregate bond index (IG) at 5.8%. The one-year returns of the emerging index and Stoxx 600 Europe index are negative. Since March 23, all major equity indices have recovered strongly, trimming the year to date loses. The strongest recovery since March 23 has been posted by the S&P 500 index.



Source: Bloomberg

EU recovery fund has reinforced expectations for economic support and has contributed to the rise of the euro versus the dollar at a high (29/5: \$1.1137) since March 30. If the risk-on environment continues, then EUR/USD may move towards the resistance area of \$1.1160 and \$1.1240-90. Areas of support at \$1.1000 (200-day average), at \$1.0900 and \$1.0730 could be revisited, if the ECB adds to monetary stimulus or/and US-China tensions worsen further. US President will make a speech today (29/5) about US policy towards China.

The week ahead:

In the **US**, the ISM manufacturing (1/6) and the ISM services (3/6) indices may have both risen in May, but still at contraction of the respective sectors levels. The unemployment rate (5/6) is expected to have climbed at new historic high in May (19.5%, April: 14.7%). According to the press, the ECB may add to monetary stimulus already implemented, even at the next meeting, which is on June 4.

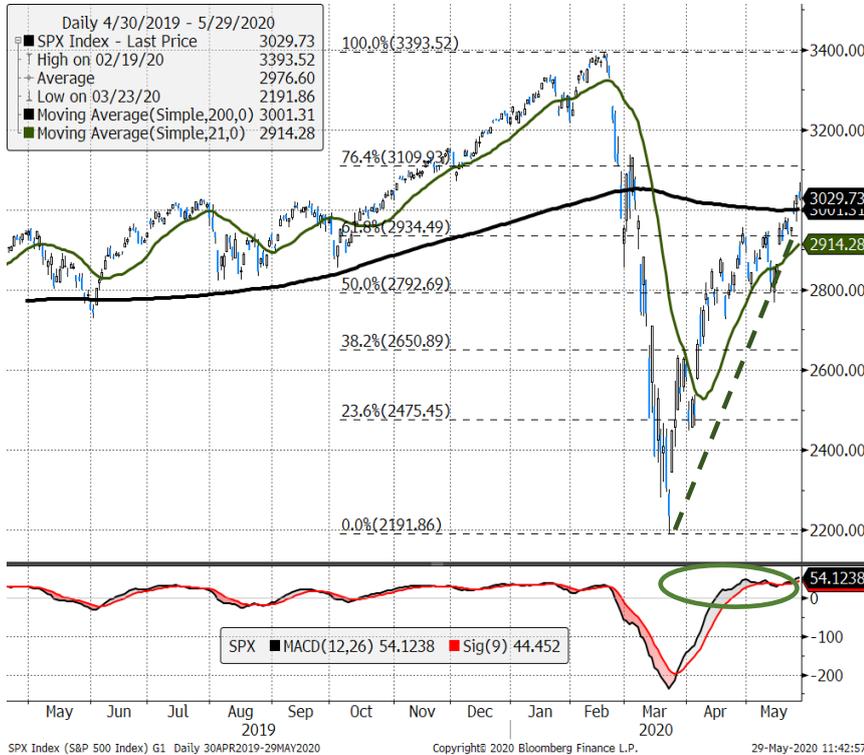
The prospect for at least partial coronavirus treatment and the aggressive monetary and fiscal easing have shielded markets, prompting the upwards move of the main equity indices during the last two months. These supportive developments have so far overshadowed the worsening economic figures and US-China dispute. Conservative to moderate balanced investment exposure is gradually benefited from the overall current market environment.

Quote of the Week:

The ECB member F. Villeroy said (25/5): "The ECB will probably need to add stimulus. The ECB is obliged to keep rates very low for long time."

Global Markets in Charts

The S&P 500 index increased on May 27 at closing price level above (3,036) its 200-day average (3,000), for the first time in almost three months. On May 28, the index increased at the highest intraday level (3,068.7) since March 5.

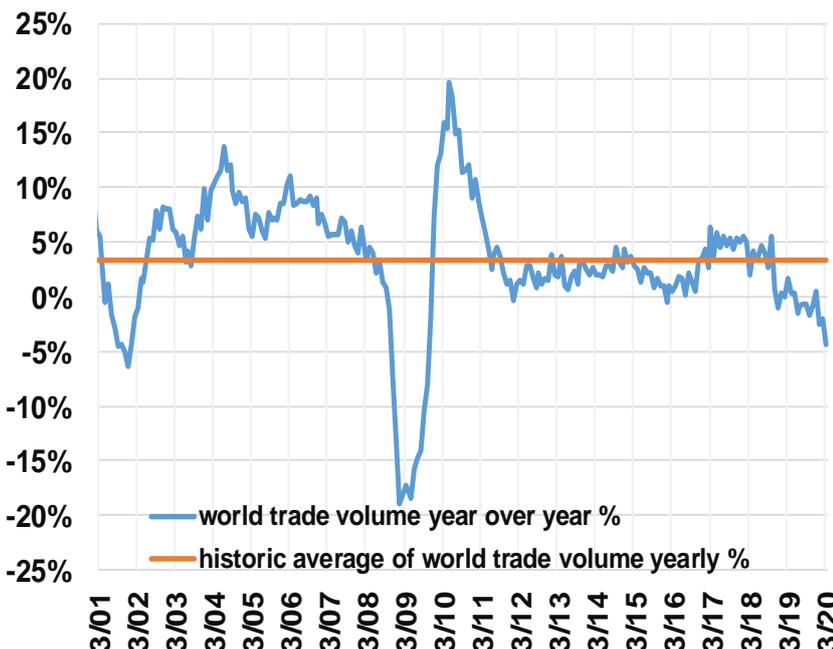


The fiscal and monetary easing along with prospects for partial treatment of the coronavirus have contributed to the improvement of market conditions. It is noted that the US 10-year government bond yield is currently (29/5: 0.66%) much below the level it ended 2019 (1.92%), which is supportive for the attractiveness of the equity market versus bonds.

The S&P 500 index increased at the highest intraday level (28/5: 3,068.7) since March 5. Resistance is at 3,085 (5/3/20 high), at 3,110 (Fibonacci retracement 76.4%: 3,393-2,192) and at 3,180 (26/2/20 high). Support is at the area of 2,910 (21-day average, 18/5/20 low) and at 2,770 (14/5/20 low).

World trade level dropped in March by 4.3% on yearly basis, the worst decrease since October 2009.

World trade volume: year over year change %



According to the Netherlands Bureau of economic policy analysis, the volume of world trade has dropped on yearly basis in March by 4.3%, mainly due to the coronavirus spread and the associated lockdowns.

This negative economic figure along with other indicators in major economies appear in discrepancy with the improved financial conditions. It seems that the massive amount of fiscal and monetary easing has overshadowed the worsening economic conditions. Assuming no further major negative surprises in the months ahead, it is possible that the investment landscape can gradually improve.

Source: Bloomberg, Netherlands Bureau of economic policy analysis

Global Markets Minesweeper
Event Risk Calendar, 1 - 6 June 2020

Monday 1/6						
Date Time	Country	Event	Period	Survey	Prior	
1/6 04:45	CH	Caixin China PMI Mfg	May	49.6	49.4	
1/6 10:55	GE	Germany Manufacturing PMI	May F	36.8	36.8	
1/6 11:00	EC	Markit Eurozone Manufacturing PMI	May F	39.5	39.5	
1/6 11:30	UK	Markit UK PMI Manufacturing SA	May F	41.0	40.6	
1/6 16:45	US	Markit US Manufacturing PMI	May F		39.8	
1/6 17:00	US	ISM Manufacturing	May	43.5	41.5	
1/6 17:00	US	ISM New Orders	May		27.1	
Tuesday 2/6						
Date Time	Country	Event	Period	Survey	Prior	
2/6 09:00	UK	Nationwide House price index (MoM)	May	-1.0%	0.7%	
2/6 09:00	UK	Nationwide House price index (YoY)	May	2.8%	3.7%	
Wednesday 3/6						
Date Time	Country	Event	Period	Survey	Prior	
3/6 03:30	JN	Jibun Bank Japan PMI Composite	May F		27.4	
3/6 04:45	CH	Caixin China PMI Composite	May		47.6	
3/6 04:45	CH	Caixin China PMI Services	May	47.3	44.4	
3/6 11:30	UK	Markit/CIPS UK Services PMI	May F	28.1	27.8	
3/6 11:30	UK	Markit/CIPS UK Composite PMI	May F	29.4	28.9	
3/6 12:00	EC	PPI (YoY)	Apr	-3.7%	-2.8%	
3/6 12:00	EC	Unemployment Rate	Apr	8.2%	7.4%	
3/6 15:15	US	ADP Employment Change	May	-9500k	-20236k	
3/6 16:45	US	Markit US Services PMI	May F		36.9	
3/6 16:45	US	Markit US Composite PMI	May F		36.4	
3/6 17:00	US	Factory Orders (MoM)	Apr	-15.0%	-10.4%	
3/6 17:00	US	ISM Non-Manufacturing Index	May	44	41.8	
3/6 17:00	US	Durables Ex Transportation (MoM)	Apr F		-7.4%	
Thursday 4/6						
Date Time	Country	Event	Period	Survey	Prior	
4/6 10:55	GE	Markit Germany Services PMI	May F	31.4	31.4	
4/6 10:55	GE	Markit/BME Germany Composite PMI	May F	31.5	31.4	
4/6 11:00	EC	Markit Eurozone Services PMI	May F	28.7	28.7	
4/6 11:00	EC	Markit Eurozone Composite PMI	May F	30.5	30.5	
4/6 12:00	EC	Retail Sales (MoM)	Apr	-16.5%	-11.2%	
4/6 12:00	EC	Retail Sales (YoY)	Apr	-23.0%	-9.2%	
4/6 14:45	EC	ECB Main Refinancing Rate	4-Jun	0.0%	0.0%	

May 29, 2020

4/6 14:45	EC	ECB Marginal Lending Facility	4-Jun	0.25%	0.25%	
4/6 14:45	EC	ECB Deposit Facility Rate	4-Jun	-0.5%	-0.5%	
4/6 15:30	US	Trade Balance	Apr	-\$41.5b	-\$44.4b	
4/6 15:30	US	Initial Jobless Claims	30-May		2123k	
Eco Event	EC	ECB President C. Lagarde holds a press conference (15:30)				
Corp. Results		US: Cooper				
		Friday 5/6				
Date Time	Country	Event	Period	Survey	Prior	
5/6 02:01	UK	GfK Consumer Confidence	May F	-34	-34	
5/6 08:00	JN	Leading Index CI	Apr P	76.3	84.7	
5/6 08:00	JN	Coincident Index	Apr P	82.6	90.2	
5/6 09:00	GE	Factory Orders (MoM)	Apr	-20.0%	-15.6%	
5/6 15:30	US	Change in Nonfarm Payrolls	May	-8000k	-20537k	
5/6 15:30	US	Unemployment Rate	May	19.5%	14.7%	
5/6 15:30	US	Average Hourly Earnings (YoY)	May	8.9%	7.9%	
5/6 22:00	US	Consumer Credit, monthly change	Apr	-\$15.00b	-\$12.04b	
Corp. Results		US: Broadcom, JP: Toshiba				

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