



Global Markets Minesweeper

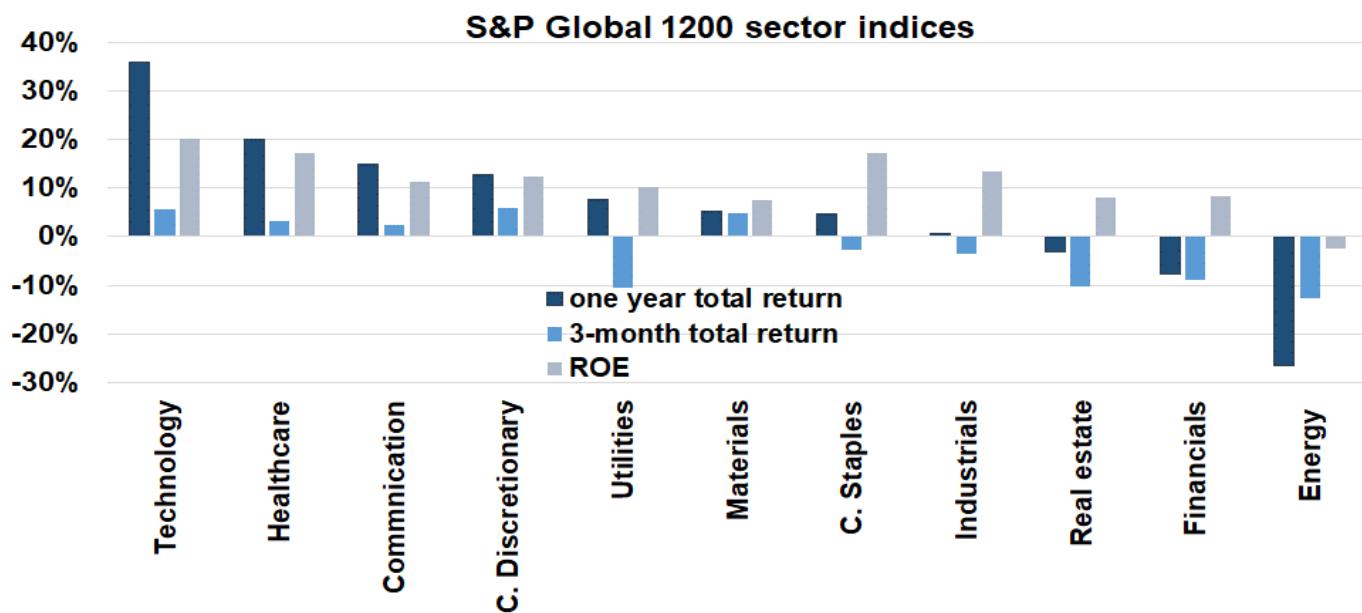
June 5, 2020

Global Markets Analysis
INVESTMENT PORTFOLIOS
MANAGEMENT DIVISION

During this week, risk-on sentiment continued. The ECB increased by €600 bn. the bond buying under the Pandemic Emergency Purchase Programme. The overall monetary stance of the main Central Banks remains highly expansionary, in an effort to facilitate the smoothing of financials conditions.

The gradual restart of global economic activity, as coronavirus lockdowns have eased, has been supportive for markets. Risk-on sentiment has defied the rising geopolitical risks. The violence during demonstrations in major US cities and the worsening of **US – China** relations are worrying, but so far do not have a material impact on markets. US said that intends to sanction Chinese officials, after China imposed a new security law in Hong Kong. According to the press, China is re-evaluating whether will remain committed to the first stage of the trade deal with the US, which was made in January. The **Bank of England** said to banks to prepare for a “no-deal” Brexit at the end of the year. The talks between the **EU** and the **UK** are expected to continue during June. Economic figures such as ISM manufacturing, ISM services in the US and Eurozone manufacturing PMI have risen in May from low levels. In China, the Caixin composite PMI increased in May at a high (54.5) since January 2011.

The S&P Global 1200 technology index has annual total return of 35.9% and 3-month total return of 5.7%. The healthcare index has annual total return of almost 20% and 3-month total return of 3.3%. The overperformance of both technology and healthcare is consistent with high return on equity.



Source: Bloomberg

The price of WTI crude oil increased this week at a high (3/6: \$38.18/barrel) since March 6. According to a delegate, **Russia** and **S. Arabia** have reached a preliminary deal (4/6) to extend production cuts by one month. Euro increased versus the USD at a high (5/6: \$1.1384) since March 10, as Eurozone and German fiscal stimulus have supported recovery hopes.

The week ahead:

Eurozone Sentix investor confidence index for June is expected next week (8/6) and the final figure of Eurozone GDP on June 9. In the **US**, the **Federal Reserve** will probably not add to monetary stimulus at this meeting (10/6), but it may discuss tools for even more supportive monetary policy in the future.

Investment exposure with preference in US equities is probably consistent with the current market environment. Technology and healthcare sectors are still favored. Improved market conditions are evident in Europe and in Asia. Chinese economy is recovering, but US – China tensions remain a worry. Regarding bonds, preference of investment grade is maintained. Gold is a medium volatility asset and may experience pull-backs, however its overall upwards trend probably remains intact.

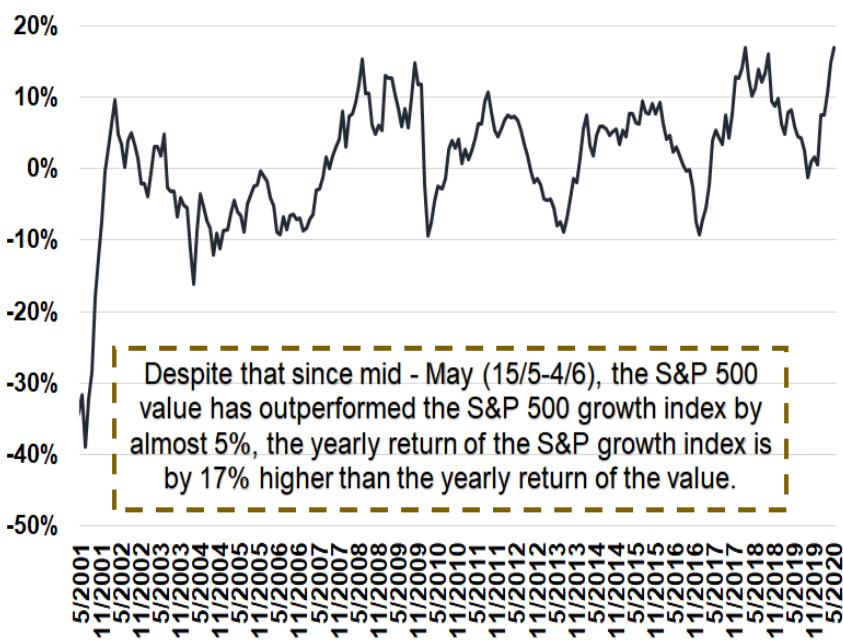
Quote of the Week:

The President of the ECB said (4/6): “Today, we are at low point of crisis.”

Global Markets in Charts

The recovery of value versus growth since mid-May has probably not materially altered the broadest trend of growth usually overperforming value.

Difference of rolling yearly return: S&P 500 growth index minus S&P 500 value index



Source: Bloomberg

EUR/USD increased this week at a high (5/6: \$1.1384) since March 10. Eurozone support measures and risk-on market sentiment have contributed to the rise of the euro.



Recently (15/5-4/6), the S&P 500 value index has risen by 5% more than the S&P 500 growth. However, by calculating rolling annual returns, it is noted that the latest annual return of the S&P 500 growth index (5/2019-5/2020) has been higher by 17% versus the annual return of the S&P 500 value index, the widest gap in 20 years. Despite that valuations are not in favour of growth (P/E 12-month forward ratio of value versus growth index is close to the lowest in 20 years, posted earlier in 2020), there is not enough evidence to support a shift from the multi-year pattern of growth overperformance (rolling annual). Growth is supported by the lower downwards revisions for EPS 12 month forward versus sharper downwards revisions for the value index.

The European Commission plan for an economic recovery fund and German additional fiscal measures of €130 bn., agreed in the current week, have contributed to the recent rise of the euro. Risk-on sentiment, which was further enhanced by the decision of the ECB to add more bond buying (€600 bn.) than expected, is usually consistent with rising euro. The spread of German 2-year yield minus the US 2-year yield is the highest (-0.80%) in the last 5 years, supporting the euro. EUR/USD has slightly surpassed the area of \$1.1370 (Fibonacci retracement 38.2%: \$1.2555-\$1.0636). Resistance is at \$1.1500 (9/3/20 high) and at \$1.1600 (50%: \$1.2555-\$1.0636). Support is at \$1.1170-\$1.1200 and at the area of \$1.1000 (200-day average).


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Global Markets Minesweeper
Event Risk Calendar, 8 - 12 June 2020

Date Time	Country	Event	Period	Survey	Prior	
8/6 02:50	JN	GDP SA QoQ	1Q F	-0.5%	-0.9%	✳*
8/6 02:50	JN	GDP Annualized SA QoQ	1Q F	-2.1%	-3.4%	
8/6 02:50	JN	BoP Current Account Balance	Apr	¥377.2b	¥1971.0b	
8/6 02:50	JN	Trade Balance BoP Basis	Apr	-¥965.6b	¥103.1b	
8/6 09:00	GE	Industrial Production SA MoM	Apr	-15.0%	-9.2%	
8/6 09:00	GE	Industrial Production WDA YoY	Apr	-23.0%	-11.6%	
8/6 11:30	EC	Sentix Investor Confidence	Jun	-22.5	-41.8	✳*
Eco Event	EC	ECB President Christine Lagarde attends European Parliament hearing (16:45)				
		Tuesday 9/6				
Date Time	Country	Event	Period	Survey	Prior	
9/6 02:30	JN	Real Cash Earnings YoY	Apr	-1.1%	-0.3%	
9/6 09:00	GE	Trade Balance (Euro)	Apr		17.4b	
9/6 09:00	GE	Current Account Balance (Euro)	Apr		24.4b	
9/6 12:00	EC	GDP SA QoQ	1Q F	-3.8%	-3.8%	✳*
9/6 12:00	EC	GDP SA YoY	1Q F	-3.2%	-3.2%	
9/6 13:00	US	NFIB Small Business Optimism	May	91.5	90.9	
Eco Event	EC	ECB Governing Council member Olli Rehn speaks on euro-area monetary policy (11:00)				
		Wednesday 10/6				
Date Time	Country	Event	Period	Survey	Prior	
10/6 02:50	JN	PPI YoY	May	-2.4%	-2.3%	
10/6 02:50	JN	Core Machine Orders MoM	Apr	-7.5%	-0.4%	
10/6 02:50	JN	Core Machine Orders YoY	Apr	-13.2%	-0.7%	
10/6 04:30	CH	PPI YoY	May	-3.2%	-3.1%	
10/6 04:30	CH	CPI YoY	May	2.7%	3.3%	✳*
10/6 15:30	US	CPI YoY	May	0.3%	0.3%	
10/6 15:30	US	CPI Ex Food and Energy YoY	May	1.3%	1.4%	
10/6 21:00	US	FOMC Rate Decision (Upper Bound)	10-Jun	0.25%	0.25%	✳*
10/6 21:00	US	FOMC Rate Decision (Lower Bound)	10-Jun	0.0%	0.0%	✳*
10/6 21:00	US	Interest Rate on Excess Reserves	11-Jun		0.10%	
Eco Event		The OECD releases its economic outlook				✳*
	EC	ECB Vice President Luis de Guindos speaks during a webinar (16:30)				
	US	FOMC economic projections (21:00) and Fed's President press conference (21:30)				


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		Thursday 11/6					
Date Time	Country	Event		Period	Survey	Prior	•*
11/6 11:00	IT	Industrial Production MoM		Apr	-14.6%	-28.4%	
11/6 15:30	US	PPI Final Demand YoY		May	-1.2%	-1.2%	
11/6 15:30	US	PPI Ex Food and Energy YoY		May	0.5%	0.6%	
11/6 15:30	US	Initial Jobless Claims		6-Jun		1877k	•*
Eco Event	EC	Euro-area finance ministers meet to discuss the EU's recovery package					•*
		Friday 12/6					
Date Time	Country	Event		Period	Survey	Prior	•*
12/6 07:30	JN	Industrial Production MoM		Apr F		-9.1%	
12/6 07:30	JN	Industrial Production YoY		Apr F		-14.4%	
12/6 09:00	UK	Industrial Production MoM		Apr	-14.3%	-4.2%	
12/6 09:00	UK	Industrial Production YoY		Apr	-19.3%	-8.2%	
12/6 09:00	UK	Trade Balance GBP/Mn		Apr	-£6700m	-£6676m	
12/6 12:00	EC	Industrial Production SA MoM		Apr	-18.0%	-11.3%	
12/6 12:00	EC	Industrial Production WDA YoY		Apr	-26.6%	-12.9%	•*
12/6 15:30	US	Import Price Index MoM		May	0.7%	-2.6%	
12/6 17:00	US	U. of Mich. Sentiment		Jun P	76.0	72.3	•*

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