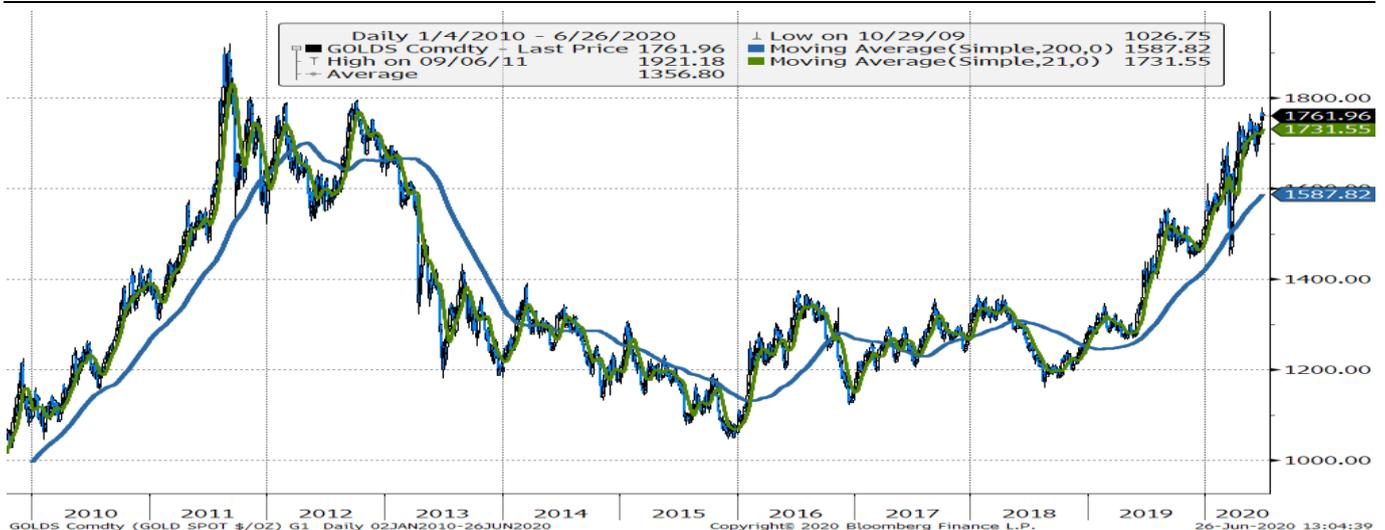


During this week, the focus remained on the coronavirus spread and also on **US – China** and **US – Europe** disputes. US trade advisor P. Navarro said that the trade deal with China is “over”. However, US President stressed that the initial stage of US-China trade deal, which was agreed in January, is valid, if China implements the terms. US is considering to impose tariffs on imported products of \$3.1 bn. from Germany, France, Spain and the UK. These will probably include new tariffs on trucks, beer, gin, olives and higher duties on aircrafts, cheese and yogurt. US is expected to decide on these measures, after one-month public comment period ending July 26.

Some macroeconomic figures have improved from low level. **Eurozone** PMI manufacturing increased in June at a high (46.9) since February and the services PMI at a 5-month high (47.3). **German** IFO business climate increased in June at a high (86.2) since February, but remains below the historic average (97.2). The IMF revised lower the forecast for the drop of global GDP to -4.9% in 2020 (April forecast: -3%), while for 2021 it projects recovery of 5.4% (April: 5.8%). The IMF noted the drop of consumption and investments after the pandemic started.

Expansionary monetary policy by the main central banks and geopolitical risks, including US-China and US-Europe disputes, have pushed the price of gold at a high (24/6: \$1,779.5/ounce) since October 2012. Gold price has already risen by 16% year to date (25/6) versus average full year return of 6% (1920-2019). Pull-backs may happen. For example, some months ago, in a matter of few days (9-19/3/20), a drop of 12.5% happened, but then the gold price continued higher. Support is at \$1,720-30/ounce area (19/6/20 low, 21-day average), at \$1,670/ounce (5/6/20 low) and at \$1,590/ounce (200-day average). The mid-term uptrend may remain, with resistance at \$1,920/ounce (6/9/2011).

In the short-term, profit taking may happen for gold price. However, if the perspective is mid-term (3-12 months) and gold is used for diversification, it is reasonable to anticipate that it may continue to benefit from persistently low government bond yields.



Source: Bloomberg

The week ahead:

US consumer confidence index (30/6) may have risen in June (median estimate: 90, May: 86.6, historic average: 95) and the ISM manufacturing index (1/7) has probably recovered for second month. Employment figures are expected on July 2. **Eurozone** economic confidence index (29/6) and China PMI indices for June will be announced during the next week.

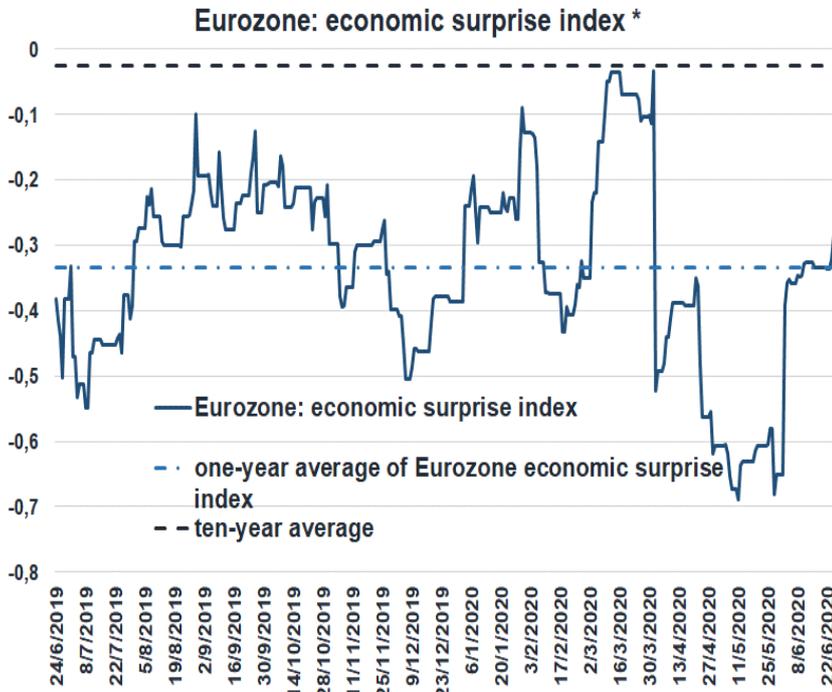
Heading towards the end of the first half of 2020, markets are oscillating between “worries and hope”. On the one hand, the coronavirus spread and US-China, US-Europe disputes. On the other hand, the massive fiscal and monetary stimulus. Regarding the main equity market, despite two months of double digit percentage drop (February, March), the year to date total return of the S&P 500 index is only modestly negative (-3.6%), while the one-year total return is positive at 7.8%. On year over year basis, the S&P global 1200 technology (almost 34% total return) and the healthcare (13%) indices have overperformed.

Quote of the Week:

US finance minister (S. Mnuchin) said (23/6): “US may be out of recession by year-end”.

Global Markets in Charts

The Eurozone economic surprise index dipped from March until May, but has recovered in June, reaching its one-year average level (below the ten-year average).

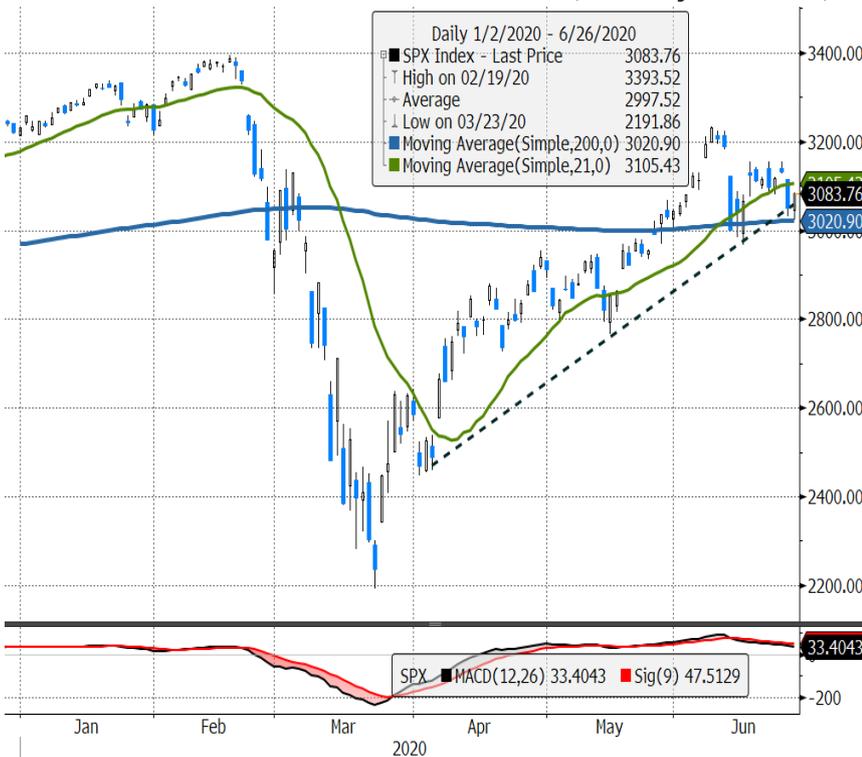


*Source: Bloomberg economic surprise index.

Eurozone economic surprise index has recovered around the one-year average, but still below the ten-year average. Regarding figures released during this week, the PMI manufacturing index increased at a 5-month high (46.9, May: 39.4) in June, similarly to the PMI services (47.3, May: 30.5).

Both indices were better than expected, but are still at contraction of the sectors levels. The IMF expects drop of 10.2% of Eurozone GDP in 2020, while a recovery in 2021 (6%). Uncertainty about the strength of recovery in 2021 and massive monetary stimulus keep government bonds yields compressed. The German 10-year yield dropped at a one-month low (-0.479%) and the 2-year yield at a low (-0.70%) since mid-May.

The S&P 500 index has retreated since June 8 and is currently (25/6: 3,083.8) around, but above, the key area of 3,000-3,020.



SPX Index (S&P 500 Index) G1 Daily 02JAN2020-26JUN2020

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The S&P 500 index is lower by -4.5% versus the highest close since February, posted three weeks ago (8/6). The area of 3,000-3,020 is key support, as it includes the 200-day average. If the 3,000 level is broken downwards at the weekly close, it is possible to see a move towards the next support area of 2,770-2,830 (14/5/20 low and 38.2% Fibonacci retracement: 2,192-3,233). The coronavirus spread and downgrades of GDP estimates (IMF sees -8% US GDP drop in 2020, recovery in 2021 of 4.5%) are more consistent with the retreat versus June 8.

However, the massive monetary and fiscal stimulus may support sentiment again. If the area of 3,000-3,020 holds, it is possible for the index to bounce again towards the 3,230 level (8/6/20 high).

Global Markets Minesweeper
Event Risk Calendar, 29 June - 3 July 2020

Monday 29/6							
Date Time	Country	Event	Period	Survey	Prior		
29/6 02:50	JN	Retail Sales (MoM)	May	3.0%	-9.9%		
29/6 12:00	EC	Economic Confidence	Jun	80.3	67.5		
29/6 12:00	EC	Consumer Confidence	Jun F		-14.7		
29/6 15:00	GE	CPI (YoY)	Jun P	0.6%	0.6%		
29/6 17:00	US	Pending Home Sales (MoM)	May	18.9%	-21.8%		
29/6 17:30	US	Dallas Fed Manf. Activity	Jun	-29.5	-49.2		
Tuesday 30/6							
Date Time	Country	Event	Period	Survey	Prior		
30/6 02:30	JN	Jobless Rate	May	2.8%	2.6%		
30/6 02:50	JN	Industrial Production (MoM)	May P	-5.7%	-9.8%		
30/6 04:00	CH	Manufacturing PMI	Jun	50.5	50.6		
30/6 04:00	CH	Non-manufacturing PMI	Jun	53.7	53.6		
30/6 09:00	UK	GDP (QoQ)	1Q F	-2.0%	-2.0%		
30/6 09:00	UK	GDP (YoY)	1Q F	-1.6%	-1.6%		
30/6 12:00	EC	CPI Estimate (YoY)	Jun	0.2%	0.1%		
30/6 12:00	EC	CPI Core (YoY)	Jun P	0.8%	0.9%		
30/6 16:00	US	S&P CoreLogic CS 20-City (MoM)	Apr	0.50%	0.47%		
30/6 16:45	US	MNI Chicago PMI	Jun	42.0	32.3		
30/6 17:00	US	Conf. Board Consumer Confidence	Jun	90.0	86.6		
Eco Event	US	Fed President Jerome Powell and U.S. Treasury Secretary Steven Mnuchin testify before the House Financial Services Committee (19:30)					
Wednesday 1/7							
Date Time	Country	Event	Period	Survey	Prior		
1/7 04:45	CH	Caixin China PMI Mfg	Jun	50.7	50.7		
1/7 08:00	JN	Consumer Confidence Index	Jun	28.5	24.0		
1/7 10:55	GE	Markit Germany Manufacturing PMI	Jun F	44.6	44.6		
1/7 11:00	EC	Markit Eurozone Manufacturing PMI	Jun F	46.9	46.9		
1/7 11:30	UK	Markit UK PMI Manufacturing	Jun F	50.1	50.1		
1/7 15:15	US	ADP Employment Change	Jun	3000k	-2760k		
1/7 17:00	US	ISM Manufacturing	Jun	49.0	43.1		
1/7 17:00	US	ISM New Orders	Jun		31.8		
Eco Event	US	Chicago Fed President Charles Evans speaks (17:00)					

June 26, 2020

Date Time	Country	Event	Period	Survey	Prior	
	US	FOMC Meeting Minutes (21:00)				
Thursday 2/7						
2/7 12:00	EC	Unemployment Rate	May	7.6%	7.3%	
2/7 15:30	US	Trade Balance	May	-\$52.0b	-\$49.4b	
2/7 15:30	US	Change in Nonfarm Payrolls	Jun	3000k	2509k	
2/7 15:30	US	Unemployment Rate	Jun	12.5%	13.3%	
2/7 15:30	US	Average Hourly Earnings (YoY)	Jun	5.5%	6.7%	
2/7 15:30	US	Initial Jobless Claims	27-Jun		1480k	
2/7 17:00	US	Factory Orders (MoM)	May	8.0%	-13.0%	
2/7 17:00	US	Durable Goods Orders (MoM)	May F		15.8%	
2/7 17:00	US	Durables Ex Transportation (MoM)	May F		4.0%	
Friday 3/7						
Date Time	Country	Event	Period	Survey	Prior	
3/7 03:30	JN	Jibun Bank Japan PMI Composite	Jun F		37.9	
3/7 04:45	CH	Caixin China PMI Services	Jun	53.3	55.0	
3/7 10:55	GE	Markit/BME Germany Composite PMI	Jun F	45.8	45.8	
3/7 11:00	EC	Markit Eurozone Services PMI	Jun F	47.3	47.3	
3/7 11:00	EC	Markit Eurozone Composite PMI	Jun F	47.5	47.5	
3/7 11:30	UK	Markit/CIPS UK Services PMI	Jun F	47.0	47.0	
3/7 11:30	UK	Markit/CIPS UK Composite PMI	Jun F	47.6	47.6	
Markets closed in the US: (Independence Day: 4 th of July)						
Eco Event	EC	ECB's K. Knot speaks at a Bloomberg EU Policy Series event (15:00)				

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