



## **CIO OFFICE MORNING MARKET WRAP – Monday 11th of May, 2020. ALSO AVAILABLE ON ALEXA.**

Last week ended positively on financial markets. Their hopes for better times ahead were comforted by positive trade data from China, showing light at the end of the tunnel, and by slightly lower than expected US unemployment rate. The general idea is that April should have been the worst month of the crisis.

The issue, of course, is that markets' valuations are pricing-in a smooth and sharp recovery without any margin of safety. Commodity markets are less optimistic, however last week's 25% advance for WTI was very welcome, as production cuts started, and as Saudi Arabia raised its official selling prices for June.

The Kingdom this morning is said to cut government spending and implement measures to face the economic consequence of the crisis. This would include tripling the value-added tax to 15%. European lockdowns keep on being relaxed, with France starting today. In the UK, Boris Johnson announced his plan: restrictions will start being eased from this Wednesday, and continue in

the next weeks, depending on how the outbreak evolves. In the US, while President Trump tries to convince Americans to resume work and social life, Vice President Pence has been self-isolating from the White House because an aide tested positive. US future contracts were affected by the news this morning, but overall markets in Asia are well oriented in their early trading hours.

Chinese domestic stocks are not far from being flat this year, second only to the Nasdaq which is now positive in 2020. Shanghai Disneyland reopens today in a nice symbol, but the tensions between the US and China remain palpable. The PBOC issued its quarterly economic report and unambiguously expressed support to the economy, even if the recovery has clearly started. The week ahead should be relatively quiet in terms of economic data, and the bulk of the corporate earnings for Q1 is now behind us.

Stay safe.

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