



## **CIO OFFICE MORNING MARKET WRAP – Monday 18th of May, 2020. ALSO AVAILABLE ON ALEXA.**

Markets panicked in March, rallied in April, and so far, are hesitating in May. Economic devastation is quantified by April numbers, from unemployment to US retail sales last week. But policy response seems to have no limit, as illustrated by the latest stimulus plan announced in India for 10% of the GDP, and US congress weighing another 3 trillion plan.

Markets discounted the reopening of the economies, but need confirmation of their success as there's currently neither a convincing treatment nor a vaccine. Looking East gives some clues. China's activity is almost back to normal. Korea and Hong-Kong are in the lead with arguably the best testing and tracing capacity. Both relaxed their containment measures in early May, and both have faced small outbreaks as social distancing was less stringent.

This suggests economic hope but also volatility ahead, especially in expensive markets, which reinforces our conviction on Emerging Asia. Japanese GDP number for Q1 was out today: the economy contracted at an annualized pace of -3.4%, slightly better than anticipated. Q2 is expected to plunge deeper into recession, before a sharp rebound in H2. Fed chairman Powell warned the economy could need to await the arrival of a vaccine to fully recover, which means stretching through the end of 2021.

President Trump's trade advisor Peter Navarro increases pressure on China, now saying that they spread Covid-19, instead of keeping it in Wuhan. WHO will meet today in Geneva and the international organization will certainly formalize questions over the handling of the early stages of the breakout. As we write however, Asian markets are well oriented, following a positive Sunday in our regional markets, backed by firmer Oil prices. June Brent crude oil futures are up 3% this morning in Asia, trading above \$33 for the first time in weeks, helped by the confirmation of deep and fast production cuts. The economic reopening momentum is also supporting, with California's governor saying that the economy is now at 75% active, and its most valuable company, Apple, confirming that 100 of their stores have resumed operations.

Stay safe.

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