



CIO OFFICE MORNING MARKET WRAP – Wednesday 27th of May, 2020. ALSO AVAILABLE ON ALEXA.

Markets recorded a broad-based risk-on session yesterday, with global equities reaching 8-week highs and the S&P 500 testing the 3000 level for the first time since March. Animal spirits were buoyed both by more countries reopening their economies and data that, although still terrible by historical standards, showed signs of improvement.

Market internals offer promising readings as US small caps outperformed large caps, usually a sign of confidence in the outlook, with small-to-large outperformance also holding since the March 23rd low. The US dollar suffered its worst 2-month drop and gold was offered as well. While the gap between markets and data grows larger puzzling both laymen and professionals, as long as momentum behind higher frequency measures of activity continues investors are likely to find reasons for bidding prices higher.

US Consumer Confidence and New Home Sales topped consensus estimates and Fed's Bullard said that he expects the jobless rate to return below 10% by year-end. The latest sentiment measures showed that the Chinese economy continues its slow recovery from the virus slump.

Strategists are speculating that the recession may be drawing closer to an end and see the current quarter as the worst on record. Some concerns lurk in the background and stocks came off session highs on news that president Trump is considering sanctions on China on its stance towards Hong Kong. Also, Merck chief executive poured cold water on hopes that a COVID-19 vaccine could be ready in the next 12 to 18 months.

In the Asian session the US dollar and Treasuries are holding the bulk of yesterday's losses, gold is almost unchanged while stocks are trading mixed and S&P 500 futures are fluctuating. In New York crude oil slipped from 11-week highs as Russia is rumoured to ease supply cuts starting from July, in line with the existing OPEC+ deal. To have a better gauge of how the US recovery is proceeding investors will be looking forward to the release of the Fed Beige Book today and Jobless Claims figures tomorrow.

Stay Safe.

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