



## **CIO OFFICE MORNING MARKET WRAP - Tuesday 28<sup>th</sup> of April, 2020. ALSO AVAILABLE ON ALEXA.**

Oil prices tumbled again yesterday and last night. June futures on WTI were down 25% Monday and kept on falling overnight, to \$11 as we write. The fundamental situation is summarized by the fact that more than 10% of the world's super tankers are currently used to store oil rather than to transport it.

The US hub of Cushing, where futures contracts are physically settled, is almost full but it's not just an American issue: South Korea for example is also close to running out of onshore space. The fundamental lack of demand and of storage is exacerbated by insane speculation on the futures themselves, and on ETFs.

The largest of them, after having seen the May futures contract trading in negative territory, is moving its positions to other maturities than just the next one, which actually adds to the chaos, especially as it is the fifth change in its policy in the last 2 weeks.

We wrote it many times: we urge our clients not to speculate in general, and certainly not on oil prices: not only is the outcome extremely uncertain, but the exposure is imperfect and more importantly speculation fuels a devastating situation.

Brent prices are faring a bit better than WTI, with the June futures trading at \$19.2 as we write. Outside of oil prices, Monday was very positive for financial markets. Global stocks rose 1.8% across regions, supported by signs of progress in the fight against the pandemic: new infections in the US grew by the slowest pace in days. 10-year Treasury yield increased 6 basis points to 0.66%. This week, Central Banks and corporate earnings will be in focus. On the latter, we will get Q1 numbers from Alphabet, Novartis, 3M, or Caterpillar today.

Stay safe.

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