



CIO OFFICE MORNING MARKET WRAP - Wednesday 29th of April, 2020. ALSO AVAILABLE ON ALEXA.

Tuesday was relatively quiet on financial markets. Global stocks added 0.7% on average, despite the US ending the session slightly lower, at -0.4%. Oil prices were well oriented, with, however, still a considerable volatility on the WTI future contracts. They added 14% yesterday to \$14 for the June expiry.

Cushing, Oklahoma, which is where the physical settlement happens, is close to reaching its storage capacity limit as 2.5mn barrels were added last week. It is impossible to exclude another wild scenario when we will approach to the June contract expiry. The price of Brent Crude oil moved up 2.4% to \$20.50.

On the economic side, US consumer confidence crashed in April, which should not come as a surprise, but its forward looking component rose: Americans see covid-19's impact as transitory. Switching to equities, the key driver yesterday was of course Q1 numbers. A majority of companies simply withdrew their earnings guidance for Q2 or even for the whole year, and most of them warned for a difficult Q2.

This obviously didn't shock markets, which only punished the worst misses, such as Ford's 5bn projected loss for Q2. To give a sense of Q1, Ford sales were down 15% compared to one year ago, and Starbucks -10% of which -50% in China where the pandemic started earlier.

By contrast, markets rewarded the positive surprises. Among them, Alphabet, Google's parent company, published numbers aftermarket which topped revenues estimates despite ad sales sharply slowing in March. This was significant enough to push Nasdaq futures higher, as well as stocks in Asia this morning as we write.

We remain concerned by the valuation of stocks in developed markets, which look vulnerable, should the shape of the recovery not be a straight-line. Emerging Asia valuations are more reasonable, and it is interesting to see Korea up this morning despite a profit warning from tech giant Samsung. Today, the US will publish its Q1 GDP growth number at 4.30pm Dubai time. Consensus expects a sequential contraction of -4% annualized.

The Fed will also hold their monthly FOMC meeting – as they are already all-in, not much action is expected, but there might be questions about their expected path for recovery, and the duration of the exceptional support measures currently in place.

Stay safe.

MAURICE GRAVIER
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