



**CIO OFFICE MORNING MARKET WRAP - Thursday 30th of April, 2020.
ALSO AVAILABLE ON ALEXA.**

Wednesday was buoyant on financial markets, despite the confirmation of an economic disaster. In the first quarter of 2020, the US GDP contracted by 4.8% in annualized rate, the largest decline since 2008 and slightly worse than expectations. Consumption was down 7.6%, leading to a 10.2% crash in service activity. Q1 was ugly, and data are set to get worse, as the first two months of the year were business as usual in the US.

Q1 GDP for the Eurozone will be released today and it should be of comparable magnitude. Hopes however comes from the East. In China, the manufacturing activity remained above 50 in April, as we hoped for, but didn't accelerate and looks vulnerable to global activity. The non-manufacturing gauge, more domestic in nature, was strong at 53.2. The US Federal Reserve also held their monthly meeting yesterday.

As we expected, they did not announce any further action. They unsurprisingly noted that the pandemic poses “considerable risks to the economic outlook over the medium term”, and predicted unemployment rate will reach double digit in April. The conclusion is that the monetary policy will stay extremely accommodative and could be even loosened.

This is a material part of the reason why markets are clearly looking forward, through the crisis. They were comforted in their optimism yesterday by 3 news. First, under the name of Operation Warp Speed, President Trump is pushing an initiative to develop a vaccine and have 100 million doses ready by the end of the year, funded by Federal budget. Second, Gilead published positive trial results for using its remdesivir product against the Covid 19.

At the same time, however, a Chinese trial on the same molecule concluded in the opposite direction. Finally, Q1 earnings from tech companies didn't disappoint at all. After Google started the party the previous night, Microsoft, Facebook and even Tesla posted positive numbers. As a result, despite an awful Q1 and the number of infections now firmly above 3mn globally, global stocks added 2%, led by a buoyant Nasdaq which is now almost unchanged in 2020, after having gained 35% in 2019.

Yes, no typo, almost unchanged. This illustrates our current concern on the fact that valuations leave no margin of safety, should the shape of the recovery not be a straight line. It also validates our long-standing conviction on tech stocks. Coming today are the Q1 GDP numbers for the largest Eurozone countries, which may shock but not really surprise, ECB's meeting and Mrs Lagarde's speech, who should announce more action, and the weekly US initial jobless claims, which we hope will be closer to 3mn than to the 4-5mn of the previous weeks. Today will also see earnings from two tech aristocrats, Apple and Amazon, as well as Visa, Gilead, Shell and BASF.

Stay safe.

MAURICE GRAVIER
Chief Investment Officer
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