



**CIO OFFICE MORNING MARKET WRAP – Tuesday June 30th, 2020.
ALSO AVAILABLE ON ALEXA.**

It may seem counter-intuitive: the second quarter of 2020 that will end today could be the best in more than 10 years for markets. Yesterday added its contribution. After a tough end of last week, dominated by the resurgence of COVID-19 cases essentially affecting the Americas, Monday's session was overall positive. Global stocks rose 0.4%, with the US closing up an impressive +1.5%. Oil prices followed with the Brent crude at \$41.7 despite the US dollar being a bit firmer. Interest rates and Gold were steady, and our regional stock markets were close to flat, in line with the emerging markets indices.

The current times are about balancing between fears of a second wave, and optimism about the recovery. The latter won yesterday, especially after the news that US pending home sales rose 44% in May. After having dropped by 20% for two consecutive months, this is only a partial recovery yet, but the pace pleased investors. Whatever happens to the US economy, the Fed will be here to help.

Chairman Powell will testify before the congress today, and his prepared speech calls the economic outlook “extraordinarily uncertain” which clearly means that all options are on the table to increase support if needed, and to keep it in place for very long. This may indeed be needed, as the World Health Organization warned that the “worst is yet to come” on the pandemic because of a lack of global solidarity, in a comment which sounded more political than scientific. Indeed, cases are still rising, mostly on the American continent. Arizona and New-Jersey are joining Florida or Texas in partially scaling back reopening.

Looking east, economic news are good. China’s Purchasing Managers Indices were released this morning and they were better than expectations on both Manufacturing activities and Services. At respectively 50.9 and 54.4 both are way above the 50 limit between expansion and contraction. The Chinese recovery keeps on looking like a V.

No surprise then that Asia stocks are rising this morning as we write. From Japan to Australia, from China to Korea, all indices are up 1% or more. Hong-Kong is slightly lagging. China has approved the controversial Security Law for the former British colony and will publish full details of the law later today. US Commerce Secretary said in a statement that the preferential treatment granted to Hong-Kong over China will be suspended.

In Europe, the dispute between Germany and the ECB might not turn too critical, as we expected. Angela Merkel has gathered a broad coalition to back the ECB bond-buying program in the German Parliament.

We will get later this week key June economic data, especially PMI numbers and the US job report, which are expected to show further evidence of the recovery started in May. In the meantime we will know if Q2 performance breaks all records.

Stay safe.

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