

Current Update

May 2020



Market Commentary

The rebound in equity markets from the lows in March extended into May. The impact of the COVID-19 pandemic continued to dominate markets, and everything else. There was an increasing focus on how countries would begin to relax their lockdown measures and how this would affect the economy. Volatility declined further and while the recovery continued it was slower when compared to April. This provided some suggest that investors are being watchful of how the situation develops even if returns were impressive

Many parts of the US began some level of reopening, though the pandemic there continued to spread, and the US accounted for the highest death and infection rates. US corporate earnings reports for the first quarter of 2020 ended in May and confirmed that earnings contracted by around 14% compared to the first quarter of 2019. The S&P 500 climbed to end the month 4.8% higher and is now just 10% below the February peak.

In Europe, the spread of the virus appeared to calm. The daily infection rate is now roughly 90% lower than its peak at the start of April. Much of the attention in Europe has been over a European Union (EU) wide recovery plan. The plan would allow the European Commission to borrow EUR 750 billion in financial markets. The proposal is for EUR 500 billion of spending to be made available, mostly as grants, and to make EUR 250 billion of loans available to any EU country but focused on those most in need.

In the UK first quarter GDP in the UK fell by 2.0% quarter on quarter – the worst reading since 2008. The UK government announced further plans to continue to gradually reopen more sectors of the economy. There has been no material increase in daily infections but this will need to be monitored closely over the next couple of weeks. The FTSE All-Share rose by 3.4% over the month. The 10-year gilt yield fell slightly over the month and sits just below 0.2%.

The number of reported cases in some parts of Asia has been trending down and economies are reopening, particularly in China and South Korea. High levels of testing and contact tracing have been a key feature of their exit strategies. Falling cases in Japan are also a positive for the region. However, a large increase in cases in India and Brazil have put pressure on their economies and restricted gains in emerging market equities.

Investors appeared to become somewhat more optimistic about the outlook after initial signs of success in human trials of a vaccine against COVID-19. Growth stocks outperformed value stocks while global government bond markets were broadly flat.

10 Key Events to Watch:

UK		Previous	Forecast
Friday, Jun 10, 2020	Manufacturing Production (MoM)	-4.6%	-6.0%
Tuesday, Jun 16, 2020	Unemployment Rate (Apr)	3.9%	4.4%
Wednesday, Jun 17, 2020	CPI (YoY)	0.8%	0.9%
Thursday, Jun 18, 2020	BoE Interest Rate (Jun)	0.10	0.10
Friday, Jun 19, 2020	Retail Sales (YoY) (May)	-22.6	-
GLOBAL			
Sunday, Jun 14, 2020	China Industrial Production (YoY) (May)	-4.9	-
Monday, Jun 15, 2020	Japan Interest Rate Decision	-0.10%	-
Tuesday, Jun 23, 2020	Euro Manufacturing PMI (Jun)	39.4	38.0
Tuesday, Jun 23, 2020	Germany Manufacturing PMI (Jun)	16.2	26.6
Thursday, Jun 25, 2020	USa GDP (QoQ)	2.1%	2.1%

Key Recent Announcements

US ISM MANUFACTURING PMI (Apr):

Survey results shows down trend to 41.50 in May 2020 from 49.10 as compared to previous month, against market expectations of 45.0.

UK MANUFACTURING PMI (May):

Manufacturing PMI stood at 40.60 as compared to 32.60 from the previous month.

UK INFLATION RATE YoY (APR):-

The rate of inflation across the UK stood at 0.80 percent in May 2020, compared to 1.50 percent the previous market expectations of 1.5 percent.

US GDP (QOQ) (Q1):

The US GDP stood at -5.80 percent in Q1 as compared to 2.10 percent from the previous quarter.

UK	29-May-20	31-Dec-19
FTSE 100	6,061	7,542
FTSE 100 % Change	-19.63%	12.10%
BoE Interest Rate	0.10%	0.75%
CPI	0.80%	1.50%
Govt, 10YR Yield	0.19%	0.83%
FTSE 350	3,403	4,249

Currency	29-May-20	31-Dec-19
GBP/USD	1.23	1.32
GBP/EURO	1.11	1.18

Commodity (\$)	29-May-20	31-Dec-19
Gold	1,751	1,518
Silver	18.5	18.00
Brent Crude Oil	37.66	66.03

Govt 10YR Bond	29-May-20	31-Dec-19
US	0.66	1.92
Japan (JGB)	-0.005	-0.02
Germany (Bund)	-0.45	-0.18

Global Markets	29-May-20	31-Dec-19
Dow Jones	25,383	28,538
Dax	11,586	13,249
CAC	4,695	5,978
Nikkei 225	21,877	23,656
Shanghai	2,852	3,050
Sensex	32,424	41,253
Nifty 50	9,580	12,168

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