



Weekly Bulletin: Uneasy markets amid weak corporate updates

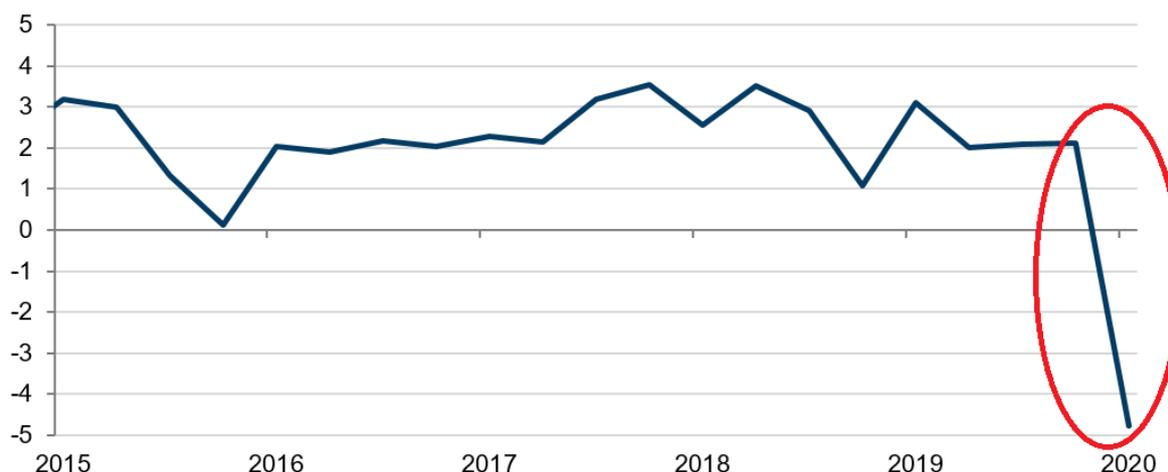
In a fairly tepid week for global stock markets, corporate earnings news and economic data both began to confirm the true impact of the COVID-19 (coronavirus) pandemic. Nevertheless, countries across Europe have begun to announce and enact their strategies for exiting lockdown conditions.

- Economic data covering the first quarter of the year is now beginning to emerge, and paints a predictably sombre picture of the global economy. Q1 economic growth came in at -4.8% in the US, and at -3.8% in Europe, with both figures even worse than anticipated. Looking to the future, uncertainty regarding the speed and extent of economic reopening makes forecasting especially difficult, but most predictions still point to a very weak Q2 followed by some form of recovery in the second half of the year. For developed economies, much depends on the path for consumer spending from here.
- 3.84 million Americans submitted new claims for unemployment benefits last week. This was more than expected and brings the six-week tally to over 30 million (approximately 18% of the US working population). On a positive note, this was the smallest weekly increase in five weeks. Over the full six-week period, the S&P 500 index (which covers large US companies) has risen by more than 30%. This disconnect is likely due to the forward-looking nature of financial markets, which anticipated poor economic data early, and are now looking through this in anticipation of where the world goes next.
- Also in the US, the FDA (the US health product regulator) has given emergency approval to a drug produced by biopharmaceuticals firm Gilead Sciences, for use in the treatment of hospitalised US patients. While the drug – ‘remdesivir’ – has had some encouraging trial results, its effects are said to reduce the duration of symptoms rather than provide a silver bullet for COVID-19.
- Several European countries have now outlined their plans for lifting lockdown restrictions. Patience has been urged from the UK public, with Prime Minister Boris Johnson due to announce his ‘exit strategy’ from lockdown in the coming days.

Chart of the week

- Economic growth in the US fell drastically in the first quarter of the year. The full force of lockdown measures is expected show up in the coming quarter.

US growth has dropped sharply under the country's partial lockdown
US GDP (% change, quarter-on-quarter)



Source: Macrobond

What to look out for this week

- This week, around 150 companies in the S&P 500 Index are scheduled to release their reports covering the first quarter of 2020.
- Prime Minister Boris Johnson is expected to announce his plans for the UK's exit from lockdown conditions in the coming days – a far cry from prior plans for VE Day celebrations across the UK this weekend.
- On Friday, all eyes will be on US labour market figures for April. The unemployment rate as a percentage of the total workforce is expected to have reached 16.1% - its highest level since 1939.

	Index Levels	Last Week	Month-to-date	Year-to-date
Equity				
MSCI United Kingdom	1,637.0	0.2%	-2.3%	-23.2%
MSCI United Kingdom Mid Cap	969.9	2.9%	-1.8%	-26.3%
MSCI United Kingdom Small Cap	332.2	2.6%	-2.0%	-26.6%
MSCI World (GBP)	1,543.1	-0.7%	-1.8%	-9.5%
S&P 500 (GBP)	2,830.7	-1.8%	-2.2%	-6.9%
MSCI Japan (GBP)	863.8	-0.5%	-1.8%	-9.4%
MSCI Europe ex-UK (GBP)	1,194.8	3.2%	1.0%	-12.7%
MSCI Pacific ex-Japan (GBP)	1,347.9	0.3%	-3.2%	-17.8%
MSCI Emerging Markets (GBP)	53,570.2	2.6%	-0.3%	-12.6%
Bonds				
BoA Merrill Lynch Conventional Gilts	1,435.5	0.0%	-0.5%	9.6%
BoA Merrill Lynch Index-Linked Gilts	601.2	0.1%	-0.5%	6.2%
BoA Merrill Lynch £ Corporate	446.2	0.7%	-0.2%	0.5%
Commodities				
Oil (West Texas Intermediate, GBP)	\$19.7	21.1%	5.1%	-66.0%
Gold (GBP)	\$1686.3	-3.3%	-0.4%	17.6%
S&P / GSCI (GBP)	1,346.9	0.3%	0.3%	-45.1%

Past performance is not a reliable indicator of future results. The value of investments may fall as well as rise. All performance returns are in GBP, while all index levels are in local currency.