



# World Markets

• GEOPOLITICS • FINANCE • TRADING • BUSINESS • INVESTING • DATA

## WEEKLY REPORT & COMMENTARY

Issue 02  
May 11-17, 2020

### MAJOR WORLD INDICES

2.70%	2.65%	2.26%	1.17%	0.25%	0.93%	0.70%	1.24%	4.03%	2.29%
FTSE/JSE	DJIA	S&P500	NASDAQ	ASX200	SSECOMP	NIKKEI225	NIFTY50	DAX	FTSE100

## MARKETS REVIEW May 11-15

# Risk aversion resurfaces amid geopolitical tensions

World equities retreated this week as escalated tensions in the US-China trade relationship, discouraging economic reports and warnings from policymakers weighed on risk sentiment. Investors monitored the progress of reopenings of frozen economies and the plethora of global fiscal and monetary policy relief efforts whose life-long legacy of debt could sow seeds for future crises.



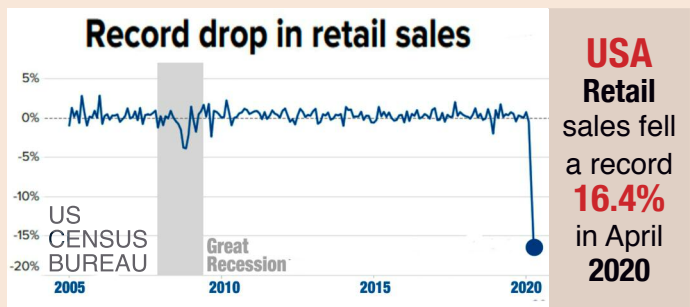
Kyriaki T. Balkoudi

**US:** Equities erased most of the prior week's gains as the White House moved to block global chipmaker companies from supplying Chinese telecom giant Huawei Technologies Co. Ltd. Sentiment also appeared to take a blow following Federal Reserve chair Jerome Powell's comments that the pandemic could cause long-term economic harm. Powell in his speech said that the economy was "subject to significant downside risks" in the months ahead. The week's economic data also brought little to celebrate. (see Americas section on p.3)

**ASIA/PACIFIC:** Stocks in Asia/Pacific outperformed their counterparts in Europe and North America. Japanese stocks posted mixed returns while China's Mainland A-shares were able to hold steady until midweek, before weakening on resurfacing U.S./China tension. Powell's comments made headlines but so did the Reserve Bank of New Zealand (RBNZ) which left its official cash rate (OCR) at 0.25%, as widely expected. The surprising elements were the RBNZ's willingness to use additional tools "if and when needed" including further cuts and expanding its quantitative easing programme. (see Asia/Pacific section on p.4)

**EUROPE:** European equities fell as UK and EU negotiators suggested trade talks remain deadlocked. Adding to pessimism, the Bank of England (BoE) now expects the UK economy to contract by 14% this year. BoE Governor Andrew Bailey reaffirmed that negative rates is not on the table at the moment. Meanwhile, fears of a prolonged recession in the continent continued to mount. The eurozone economy decreased by a record 3.8% in the first quarter compared with the final three months of 2019, according to Eurostat. Furthermore, the European Central Bank (ECB) in its economic bulletin on Thursday said Eurozone's GDP is expected to plunge by between 5% and 12% in fiscal 2020. (see Europe section on p.5)

Equity investors took a glass-half-empty view of the world and analysts reduced their expectations for company earnings in the second and third quarters as fears of a prolonged recession due to the coronavirus continue to grow.



## IN FOCUS THIS WEEK

### OUTPUT \$8.5T

The world's economy could lose up to \$8.5 trillion in output over the next 2 years due to the virus crisis the UN said.

### OIL 9.07m bpd

OPEC now expects oil demand to fall by 9.07 million barrels a day this year.

### DEBT \$2.6t

IIF's Global Debt Monitor found that global general debt issuance (bonds and loans) hit a record high of \$2.6 trillion in April.

### FUNDS \$2t

Allocation to Chinese stocks among more than 800 funds reached nearly a quarter of their nearly \$2t in AUM according to EPFR data.

### NUCLEAR \$73bn

Nuclear-armed states spent a record \$73 billion on nuclear weapons in 2019, a nearly 10% increase from 2018, ICAN found.

### VAT 15%

Saudi Arabia will triple its value-added tax (VAT) rate to 15% from July 2020.

## KEY POINTS



Shutterstock

• **USA:** In a tweet on Wednesday, US President Donald Trump said to be wary of "rich guys" who comment negatively about stocks, when they tend to profit from betting against the market.



EPA-EFE/Yuri Kochetko

• **RUSSIA:** Russian Foreign Minister Sergey Lavrov stated on Wednesday that the volume of global trade may slump by over 30% this year. "World trade volume may decline by 13% under the optimistic scenario, and if it is bad, by more than 30%."



• **INDIA:** Finance Minister Nirmala Sitharaman provided details about various measures to help the economy, including as a 25% tax cut on non-salary income payments



• **EUROPE:** Germany will lose €81.5 bn in tax revenue this year, compared to 2019, Finance Minister Olaf Scholz said on Thursday, adding the estimate may have to be revised in September.



## TOPICS IN BRIEF

### Politics, Law, International relations

On Monday (May 11) Vital Kamerhe, chief of staff of the government of the Democratic Republic of the Congo, denied all charges of embezzling more than \$50 million in public funds. Kamerhe, who appeared before a court for two hours could face up to 20 years in prison if convicted, Reuters reported.

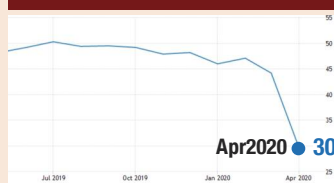
In Lesotho, Prime Minister Tom Thabane's coalition government collapses in parliament and a day after Thabane resigned. On Thursday (May 14), the Seychelles banned cruise ships until the end of 2021 effective immediately, amid fears over the novel coronavirus, the news outlet Seychelles Nation reported.

The ban comes as several U.S. cruise ships have extended the suspension of operations through the summer.

On Thursday (May 14), Burundi expels the country's top World Health Organization representative and three other experts coordinating the COVID-19 response.

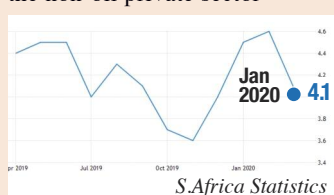
The foreign ministry, in a letter to WHO Africa headquarters and seen by AFP said the UN agency's representative in Burundi and his three colleagues "are declared persona non grata and as such, must leave the territory of Burundi". They accused them of "interfering with the government response to the pandemic."

## CHARTS of the WEEK



### • Egypt's PMI tumbles

The IHS Markit Egypt PMI tumbled to 29.7 in April 2020 from 44.2 in March. This was the ninth straight month of contraction in the non-oil private sector



### • South Africa inflation

The annual inflation rate in South Africa fell to 4.1% in March from 4.6% in February and below market expectations of 4.3%. It was the lowest inflation rate since last December.

## MARKETS REVIEW

# Gloomy outlook dampens the NSE

**NIGERIA:** Nigeria's stock market retreated after two consecutive weeks of gains, as the gloomy economic outlook and growing concerns about the evolution of the pandemic weighed on sentiment. The NSE All-Share Index (ASI) fell 0.72% to close the week at 23,871.33, and market capitalisation dropped to N12.441trillion.

All other indices also finished lower excluding the Nigerian Stock Exchange (NSE) Main Board, NSE CG, NSE Pension, NSE ASeM, NSE AFR Bank Value, NSE Meri Growth, NSE Consumer Goods, and NSE Oil/Gas, which gained 1.29%, 1.52%, 0.7%, 0.3%, 1.65%, 4.76%, 2.2%, and 1.56% respectively. Of note, the Nigerian Stock Exchange (NSE), on Tuesday said it has committed about N100million to support the fight against the coronavirus pandemic in Nigeria.

**SOUTH AFRICA:** Johannesburg Stock Exchange on Monday (May 11) announced relief measures for market participants. The relief measures will be offered to businesses that are affected by the pandemic and in financial distress, the exchange said. The JSE will grant distressed companies extended payment terms of between three and six months, with no interest charged. The JSE will engage with companies and review requests on a case-by-case basis. The JSE will also be increasing the amount of cash disbursements given back to small and medium stockbrokers that are on the JSE's Enterprise Development Programme.

The cash disbursements in quarterly trading and connectivity fees will increase from 33% to 50% of the traded value by these stockbrokers. This temporary relief is applicable for the second quarter of 2020.

**SARB:** Investors' focus turns to the South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) which meets next week, with economists and analysts expecting another rate cut to be announced.

However, some have cautioned that the cut won't be as drastic as the last two 100 basis point cuts announced in March and April – while it will come with unwelcome news around economic growth.

## MAJOR INDICES WEEKLY PERFORMANCE (% change)

COTE D'IVOIRE BRVM COMP -0.46%, EGYPT EGX30 0.29%  
KENYA NSE ASI -2.92%, MOROCCO MASI -1.09%, NAMIBIA FTSE/NSX OI -6.0%, NIGERIA ASI -0.72%, SOUTH AFRICA FTSE/JSE -2.70%, TANZANIA DSE ASI 0%, TUNISIA TUNINDEX 3.39%, UGANDA ASI -8.29%, ZAMBIA LSE ASI -0.28%, ZIMBABWE ZSE IND 38.39%.

## HIGHLIGHTS in AFRICAN BUSINESS



• The Nairobi Securities Exchange-listed Sameer Africa has shut down its tyre distribution business. "Survival of the company is and remains a major challenge," Sameer's chief executive Peter Gitonga wrote to Nairobi County Labour Office.



• Net1, a payment solutions company with extensive operations in emerging markets, named Abu Mabuza (pictured), one of South Africa's best known business leaders in a board shake-up, Business Live reported.



• Lagos-based fintech Okra has raised \$1 million in pre-seed funding from TLcom Capital. Founded in June 2019 by Fara Ashiru Jituboh (pictured) and David Peterside, API developer created a product that generates revenues from both payment startups and established financial institutions.



• Global Augmented Identity solutions provider IDEMIA has appointed Henry Mkuzi as its East African Region Sales Director as part of the company's plans to strengthen local presence and expand its regional footprint. Mkuzi joined the company in December 2019.

## NEWS TO WATCH

### Tanzania's green gold

Tanzania's avocado exports jumped from 1,877 tonnes in 2014 to 9,000 tonnes in 2019, fetching the country U.S.\$12 million last year, according to Tanzania's private sector horticultural apex body, the Tanzania Horticultural Association (Taha), as well as the Avocado Catalogue 2020 report. The majority are exported to Europe.

### IMF approves \$2.77 bn aid for Egypt

The International Monetary Fund on Monday (May 11) approved \$2.77 billion in emergency pandemic financing for Egypt. The Covid-19 outbreak has led to the shutdown of the country's tourism sector and has triggered major capital flight.

### JSE held first virtual listing

The Johannesburg Stock Exchange (JSE) welcomed the Satix SA Bond ETF to the main board of the JSE in its first virtual listing and the first ETF listing in 2020. The Exchange Traded Fund (ETF) will track the S&P South Africa Sovereign Bond 1+ year Index, which allows investors to automatically reinvest their coupons.

### Kenya, Ethiopia face flower trade cut

Bad news for Africa's leading flower-growing countries, Kenya and Ethiopia, as sales to Europe dry up. Kenyan flower exports have dropped by about two-thirds in recent weeks. Ethiopia is now exporting only about 20% of its usual volume.

### South African SMEs struggle

During the initial five-week lockdown in South Africa, even the few small and medium enterprises that remained operational, mostly made 75% or less of their expected turnover, a survey by Nedbank found. Most business owners don't have enough confidence that they will be able to recover.

## MSCI

▶ South Africa -2.23%  
▶ EFM Africa EX SA -0.83%

(Note: Weekly Change %)



## TOPICS IN BRIEF

### Politics-Economy-Health-Business

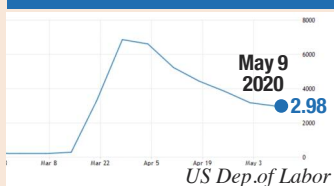
On Monday (May 11) Tesla, Inc. CEO Elon Musk announced he will reopen the Tesla Factory in Fremont, California, US in defiance of an Alameda County shutdown order.

On Wednesday (May 13), New York City went 58 consecutive days without a fatal pedestrian traffic collision, the most since tracking began in 1983. On the same day, in Chile the government announced a total lockdown in Santiago.

On Thursday (May 14) NYSE President Stacey Cunningham told the WSJ the iconic 227 year-old Big Board is expected to partially reopen on May 26. On Friday (May 15), the US House passed a \$3 trillion coronavirus relief package. Meanwhile, American retail chain J. C. Penney filed for Chapter 11 bankruptcy after accumulating \$4.2 billion in debt. In Latin America, Colombian Ministers of Defense, Foreign Affairs and Health met with their Brazilian counterparts to coordinate a joint response to the increasing numbers of COVID-19 cases in the border region between both countries.

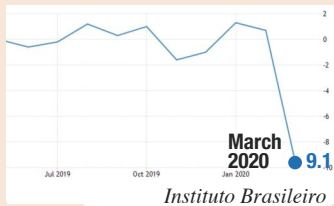
Nelson Teich resigned as Brazil's Minister of Health less than a month into office amid disagreements with President Jair Bolsonaro over the federal government's handling of the pandemic.

## CHARTS of the WEEK



### ● US Jobless Claims

US initial jobless claims declined to 2.98m during the week ending May 9. The data represents a cumulative 36.5m jobless claims over the last 8 weeks



### ● Brazil industrial production

Industrial production fell 9.1% in month-on-month seasonally-adjusted terms in March, contrasting February's revised 0.7% increase.

## MARKETS REVIEW

# Sentiment turns defensive

**USA:** US equities erased most of the prior week's gains with the S&P 500 coming under selling pressure. Worries of a resumption in the U.S.-China trade war hampered sentiment after the White House moved to block global chipmaker companies from supplying Chinese telecom giant Huawei Technologies Co. Ltd. Meanwhile, the Federal Retirement Thrift Investment Board (FRTIB) charged with overseeing billions in federal retirement dollars announced it would indefinitely delay plans to invest in Chinese stocks. Sentiment also appeared to take a blow following Federal Reserve chair Jerome Powell's comments. Powell warned that the damage from the pandemic could have a lasting effect on the US economy. He also excluded any negative interest rate moves. Adding to the market gloom, bleak economic data continued to hit the tape. Thursday's weekly jobless report showed 2.98 million more Americans filed for benefits in the previous week. Roughly 36 million people, or 20% of the US workforce, have now filed for jobless aid in eight weeks. The Commerce Department also reported that excluding sales by motor vehicle and parts dealers, retail sales plunged by 17.2% in April, the biggest fall on record.

**LATAM/EMERGING MARKETS:** The Mexican market weakened amid concerns that the US could experience protracted economic downturn. The Bank of Mexico decided to cut its monetary policy rate from 6.00% to 5.50%, as widely expected. In Brazil, where the second Brazilian health minister resigned in a month, the Senate is studying several drafts bills to increase tax for the banking and mining sectors. Following our communication with Venezuela-based Prof. Samuel Torres, he mentioned that emerging markets in Latin America are influenced by the US macroeconomic context, the White House and the center of the New York market, plus the impact of the pandemic. He also added that Caracas stock exchange IBC Index closed up 1.47% at 62,022.46 points on Friday (May 15). Among the best performers were Fondo De Valores Inmobiliarios (FVI.B) + 7.69%, Telares de Palo Grande (TPG) + 7, 50% and Banco Provincial (BPV) + 5.77%.

## MAJOR INDICES WEEKLY PERFORMANCE (%change)

ARGENTINA: Merval 8.86%, BRAZIL: BOVESPA -3.37%  
 CANADA: TSX COMPOSITE -2.16%, CHILE: IPSA -5.14%  
 COLOMBIA: COLCAP -5.09%, JAMAICA: JSE 1.82%, MEXICO: IPC -5.14%, PERU: S&P LIMA GENERAL -1.43%, VENEZUELA: BVCC -8.93%, USA: S&P500 -2.26%, USA: DJIA -2.65%, USA: NASDAQ COMPOSITE -1.17%.

## AMERICAN BUSINESS HIGHLIGHTS



● Goldman Sachs has agreed to purchase Folio Financial. Having Goldman as its parent will "bring scale" to Folio's business, Folio CEO Steven Wallman (pictured) wrote in a letter sent to customers.



● BDC Capital has spent a tenth of the budget for new program to help startups during the pandemic. As of May 14, it had signed deals for financing worth a combined \$14.2 million. (picture: Michelle Scarborough, Managing Partner BDC Capital)



● Premier Oil has said it has suspended the US\$1.8 billion Sea Lion-1 oil project offshore the Falkland Islands to minimize ongoing spend in light of the current market conditions. (picture: Tony Durrant CEO at Premier Oil)



● Brazil airline Gol Linhas Aereas Inteligentes said it will receive a total of 2.4 billion reais from Boeing as compensation for the grounding of the 737 MAX plane, which has not flown in over a year. (picture: Paulo Kakinoff CEO at Gol)

## NEWS TO WATCH

### Argentina's inflation slows in April

Consumer prices rose 1.5% in April compared to March, a significant decrease from the previous monthly figure of 3.3%, the INDEC national statistics agency reported. A year ago, inflation was 45.6%. The largest increases in prices in April were registered in food and alcoholic beverages sector (up 3.2%).

### BB profit drops 20%

Banco do Brasil's (BB) profit dropped 20.1% in the first quarter of 2020 compared to the same period in 2019, to R\$3.4 billion (US\$680 million). The decline in the period was a reflection of the large increase in reserves to cover potential default, which is expected to increase given the current economic crisis.

### Blackrock backs MEMX

The Members Exchange (MEMX) which was founded in January 2019 by some of the biggest customers of NYSE and Nasdaq, on Tuesday (May 12) said BlackRock Inc, the world's biggest asset manager, was among its latest financial and strategic backers.

### Colombia imposes tariffs on US ethanol

Colombia's government announced on Monday (May 11) that it would impose tariffs on ethyl alcohol (ethanol) imports from the US for the next two years in the amount of 6.646 cents US per kilogram, an amount it says is equal to controversial US government subsidies of domestic ethanol producers, Finance Colombia reported.

### Morgan Stanley pays \$5mn fine

The US Securities and Exchange Commission announced that Morgan Stanley has agreed to settle charges that it provided misleading information to clients in its retail wrap fee programs regarding trade execution services and transaction costs. Morgan Stanley has agreed to pay a \$5 million penalty.



## MSCI

▶ North America **-2.30%**

▶ EM Latin America **-5.12%**

(Note: Weekly Change %)



## TOPICS IN BRIEF

### Taxes, Business, Law, Environment

On Monday (May 11) Shanghai Disneyland reopened with new social distancing rules. In Malaysia, authorities detained hundreds of foreign workers in a major raid in areas around the Kuala Lumpur Wholesale Market. It is the second major raid on the country's biggest wholesale wet market by the authorities amid the movement control order, the Strait Times reported.

On Tuesday (May 12) China suspended imports of beef from four Australian abattoirs, saying that its customs agency "continuously" found violations of inspection and quarantine requirements.

This comes after the Australian government last month called for an independent inquiry into the origins of the novel coronavirus.

On Thursday (May 14), Typhoon Vongfong made landfall in the Philippines and Japan's Prime Minister Shinzo Abe announced that the state of emergency will be lifted in 39 of the country's 47 administrative regions. On Friday (May 15) Indonesia announced that it is imposing a value added tax on the digital services provided by internet companies.

The tax will take effect in July, the finance ministry said, a levy that could apply to internet giants.

## CHARTS of the WEEK



### • Australian unemployment

Employment in Australia fell by 594,300 in April to 12.4 million, with the jobless rate ticking up to 6.2% the Australian Bureau of Statistics said.



### • China's industrial output surges

China's industrial output rose 3.9% in April y-o-y improving from a 1.1% fall in March, the National Bureau of Statistics said.

## MARKETS REVIEW

# Outperforming counterparts in Europe, N.America

**JAPAN:** Japanese stocks posted mixed returns for the week. On a positive note, Japan lifted its state of emergency in 39 out of its 47 prefectures on Thursday, improving investors' sentiment. But data showing 89 companies filed for bankruptcy in April dampened reopening optimism. Most of the filings were small and medium-sized companies, according to a Tokyo Shoko Research survey, with analysts expecting the total will continue to rise. Meanwhile, a key economic indicator which consists of a range of data including factory output, employment and retail sales fell at the fastest pace since 2011 in March and the government warned of a deep recession.

**CHINA:** Mainland A-shares were able to hold steady until midweek, before weakening on resurfacing U.S./China tension. A batch of better-than-expected April economic data also kept investors in a buying mood. China's industrial production rose 3.9% year on year, bolstered by April's stronger-than-expected exports. Stocks were also supported by promises of additional fiscal stimulus from Finance Minister Liu Kun.

**INDIA:** The Indian stockmarket sagged for the week but received a mid-week boost after Prime Minister Narendra Modi announced a Rs20tr fiscal package (10% of GDP) to boost the economy. The measures focus on micro, small and medium enterprises and non-banking financial companies. On the data front, industrial production sank 16.7% YoY in March, or much worse than the 8% drop expected.

**AUSTRALIA/NZ:** Australia's market managed a small gain. In New Zealand, the central bank (RBNZ) left its official cash rate (OCR) at 0.25%, as widely expected. The surprising elements were the RBNZ's willingness to use additional tools "if and when needed" including further cuts and expanding its quantitative easing programme, as the Covid-19 wreaks havoc on the economy.

## MAJOR INDICES WEEKLY PERFORMANCE (%change)

AUSTRALIA ASX200 0.25%, CHINA SSE COMP -0.93%, CHINA SZSE COMP -0.03%, INDIA NIFTY50 -1.24%, INDIA SENSEX30 -1.72, JAPAN NIKKEI225 -0.70%, MALAYSIA KLCI 1.53%, NEW ZEALAND NZX50 0.33%, SINGAPORE STI -2.64%, PHILIPPINES PSEi -1.42%, TAIWAN TWI -0.79%, THAILAND SET 1.16%

## HIGHLIGHTS in ASIA&PACIFIC BUSINESS



• Mukesh Ambani (pictured)-led Reliance Industries Ltd said it will open its Rs53,215 crore (\$7 billion) rights issue for subscription on 20 May, according to a stock exchange filing. The Indian company's rights issue will close on 3 June.



• Luckin Coffee, a major rival to Starbucks in China, fired Jenny Zhiya Qian (pictured) and Jian Liu, who were CEO and COO respectively, following an internal probe on fabrication of annual sales numbers, the company said.



• Singapore's largest tanker operator Ocean Tanker was granted interim judicial management (IJM). Court documents show Ocean Tankers is exposed to potential claims estimated at US\$2.07b involving bills of lading it had issued



• Australian online shopping trader Kogan.Com founded by Ruslan Kogan (pictured) has acquired retailer Matt Blatt for A\$4.4 million, with the acquisition enabling Kogan to expand its reach into the furniture and homewares market.

## NEWS TO WATCH

### BoJ to continue with easing

Bank of Japan (BoJ) Governor Haruhiko Kuroda said on Thursday that he doesn't believe the inflation price target of 2% will be met soon adding that the BoJ could have to continue with the easing in the years to come. Kuroda added that the country's economy is going to be "substantially depressed" in the second quarter.

### Malaysia's factory output drops 4.9%

Malaysia's industrial production index fell 4.9% from a year earlier in March, the worst drop in nine years, government data showed on Tuesday (May 12). The index measures factory output from the manufacturing, mining and electricity generation sectors. All three main sectors tracked by the index posted declines in March.

### FDI in China increases

Foreign direct investment into China rose 11.8% in yuan terms year on year in April to reach 70.36 billion yuan (\$9.9 billion), the country's Ministry of Commerce stated. The ministry also warned that the country's foreign trade still faces "severe challenges and downside pressure."

### Indonesia to spend \$25 bn

Indonesia, Southeast Asia's largest economy passed an emergency regulation on Tuesday backing a plan by President Joko Widodo's government to spend at least \$25 billion to tackle the coronavirus pandemic.

### Australian business conditions collapse

National Australia Bank's (NAB) index of business conditions- which tracks indicators such as goods orders, employment and profitability- sank to -34 in April. That was far below the long-run average of +6. Measures of sales and profits dropped sharply, while employment dived 15 points to -35.

## MSCI

► AC Asia Pacific **-1.16%**  
► Asia ex Japan **-0.86%**

(Note: Weekly Change %)



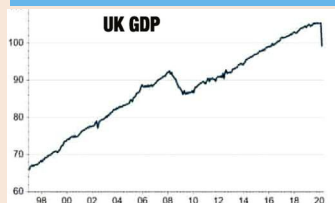
## TOPICS IN BRIEF

### Politics, Banking, Business, Law

On Tuesday (May 12), Reuters reported that eurozone banks could take a sizeable hit from the coronavirus outbreak. The news agency cited a report by officials at the European Commission who conclude there is "a risk to the financial stability of the euro area". "Averting severe and lasting damage ... may require additional and substantial efforts," they wrote. On Wednesday (May 13) Poland extended its ban on foreigners entering the country until June 12 due to Covid-19.

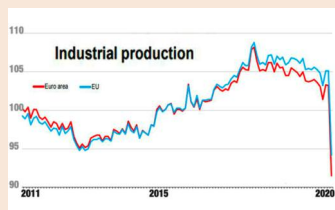
Meanwhile, Luis de Guindos, Vice-President of the European Central Bank (ECB), said "it will take eurozone up to two years to fully recover and get back to situation before the current shock." On Thursday (May 14), Norway's Equinor, a multinational oil company, rejected a group of environmental and climate change-related resolutions at its shareholders meeting. One of these called on Equinor to stop oil exploration in ecologically sensitive areas. On Friday (May 15) Georgian President Salome Zourabichvili pardoned two opposition politicians in a move to reduce political tension ahead of a parliamentary election. The pardoned are the former mayor of Tbilisi Gigi Ugulava and ex-defense minister Irakli Okruashvili

## CHARTS of the WEEK



### ● UK GDP shrinks

UK economy contracted 2% q-o-q in Q1 2020, its worst quarterly fall since 2008, the Office for National Statistics said.



### ● EU industrial production

Industrial production fell by 11.3% in the euro area and by 10.4% in the EU in March, Eurostat data showed.

## MARKETS REVIEW

# Risk sentiment deteriorates as downturn could continue

*European equities fell as Brexit began to make headlines again and the vagueness of Europe's stimulus plan is still weighing on the eurozone.*

**UK:** UK and EU negotiators suggested trade talks remain completely deadlocked. That raised the risk that the UK's transition period would end on 31 December 2020 without a free-trade deal, further straining the region's economy. The trade deal would affect EU-UK trade, which accounts for 49% of international UK trade. The Bank of England (BoE) now expects the UK economy to contract by 14% this year. BoE Governor Andrew Bailey said that the markets' basic assumption is that Threadneedle Street will support massive fiscal stimulus. He also reaffirmed that negative rates is not on the table at the moment.

**EUROZONE:** Fears of a prolonged recession continued to mount. GDP decreased by 3.8% in the eurozone and by 3.3% in the EU during the first quarter of 2020, compared with the previous quarter, according to a flash estimate published by Eurostat. These were the sharpest declines observed since time series started in 1995.

France's GDP withered 5.8%, the worst result among the 19 out of 27 EU member countries which together constitute the Eurozone, followed by Slovakia (5.4%) and Spain (5.2%). Italy's economy shrunk by 4.7%. Speaking of Italy, the Italian government approved a €55 billion economic stimulus package, which includes tax breaks and grants for businesses and households and incentives to back the tourism sector. Meanwhile French Prime Minister Edouard Philippe announced a €18 billion scheme for the country's hard-hit tourist industry.

Eurozone's GDP is expected to plunge by between 5% and 12% in fiscal 2020 largely impacted by the coronavirus pandemic, the European Central Bank (ECB) said in its economic bulletin on Thursday.

## MAJOR INDICES WEEKLY PERFORMANCE (%change)

BELGIUM BEL20 -4.13%, DENMARK OMXC25 0.23%, FRANCE CAC40 -3.37%, GERMANY DAX -4.03%, ITALY FTSE MIB -3.37% NETHERLANDS AEX -3.89%, NORWAY HEX -4.29%, PORTUGAL PSI20 -5.73%, RUSSIA MOEX -10.64%, SPAIN IBEX35 -4.54%, SWEDEN OMXS30 -4.45%, SWITZERLAND SMI -1.89%, UK FTSE100 -2.29%

## HIGHLIGHTS in EUROPEAN BUSINESS



● Danish shipping giant Maersk posted a 23% rise in first-quarter earnings before tax, depreciation and amortization. "We expect volumes in the second quarter to decrease across all businesses" Maersk CEO Søren Skou said.



● Insurance market Lloyd's of London has said it expects coronavirus-related claims to cost it \$3bn to \$4.3bn. Lloyd's John Neal told the BBC "it could be two years before everyone really gets their arms around the true cost of this pandemic".



● Turkish airport operator TAV has signed an agreement to buy Almaty International Airport. "We're happy to add Almaty Airport, which is a main transit hub between Asia and Europe, to our portfolio," said Sani Şener, CEO of TAV.



● The Bucharest Stock Exchange (BVB) Group, which operates the Romanian capital market said its consolidated net profit soared 54% on the year to RON4.21 million in the first quarter of 2020.

## NEWS TO WATCH

### Azerbaijan's Central Bank holds FOREX auction

The Central Bank of Azerbaijan (CBA) held a foreign exchange auction with the participation of the State Oil Fund of Azerbaijan (SOFAZ), during which Azerbaijani banks acquired \$54.7 million. According to the CBA, demand from the banks at the auction increased by 10.1 percent or by \$5 million compared to the previous auction.

### EBA to stamp out 'cum-ex' trading schemes

The European Banking Authority (EBA), the banking regulator, has proposed a crackdown on "cum-ex" trading schemes, saying they undermine the integrity of Europe's financial system. According to the banking watchdog, the estimated cost to European tax-payers of so-called cum-ex trades is €55.2bn. In recent years, investigations into the practice have led German authorities to raid the offices of Deutsche Börse, BlackRock and Deutsche Bank

### Norway to spend \$41 bn of wealth fund

Norway plans to spend a record 420 billion kroner (\$41 billion) of its \$1 trillion sovereign wealth fund this year as western Europe's biggest oil and gas producer tries to weather the Covid-19 downturn. The wealth fund invests proceeds from the country's oil industry in foreign stocks, bonds and property.

### Russia's car market sales plunge 72%

Just 38,922 new cars and light commercial vehicles were sold in Russia in April, which saw the biggest monthly sales fall ever recorded by AEB Automobile Manufacturers Committee after a 4% rise the previous month. The fall in sales are a result of the stop-shock caused by the lockdown that was imposed on Russia at the end of March.

**MSCI**

▶ Europe **-4.30%**

▶ Large Cap **-3.77%**

(Note: Weekly Change %)

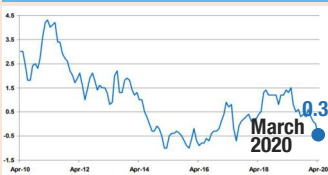


## TOPICS IN BRIEF

### Armed Conflicts, Law, Health

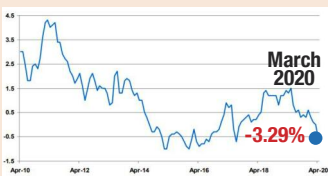
On Monday (May 11), at least 27 Afghan soldiers were killed during a Taliban attack at a convoy in the Al-ishing District of Laghman Province, Afghanistan, Tolo News reported. On Wednesday (May 13) the Palestinian health ministry said a 15-year-old was killed in confrontations with Israeli forces in the southern West Bank, where Israeli forces conducted a manhunt for a rock thrower who killed an IDF soldier a day earlier. The death is the first fatality suffered by the IDF since the start of 2020, according to the Associated Press. On Friday (May 15), the Dubai Road Transport Authority announced that the elevators on the Dubai Metro will be restricted to two people at a time. On Saturday (May 16) a court in Iran sentenced French-Iranian Fariba Adelkhah to six years in prison for breaching national security laws. The 60-year-old anthropologist has been behind bars since June.

## CHARTS of the WEEK



### Israeli CPI falls

Consumer Price Index decreased 0.3% in April 2020 compared to March 2020. Since the start of the year, the CPI decreased 0.4%



### Saudi IPI Drops

In March 2020, the Industrial Production Index (IPI) decreased by -3.29% y-o-y. The decrease of Industrial Production resulted mainly from lower production in non-oil manufacturing activities (-11.46%).

## Important Information

World Markets Weekly Report is published every Sunday, by Europapress Srl, based in Bucharest, Romania (Trade Registry Code: J40/12206/2016) If you wish to read it on paper, you can print it on an A4 size paper. To contact us send an email at: [wweekly@europapress.ro](mailto:wweekly@europapress.ro). **DISCLAIMER:** The content of World Markets

## MARKETS REVIEW

### Gains in Saudi Arabia, UAE on higher oil

As oil prices continued their upward move, with Brent crude rising 4.9% to finish at the highest price in more than a month, stock markets in Saudi Arabia and United Arab Emirates finished the week with gains. Saudi Arabia on Monday said it will reduce output by an additional 1 million barrels per day next month, slashing total production to 7.5 million bpd, down nearly 40% from April, in a bid to support oil prices. Oil is an important source of revenue for countries in the Gulf. Following the kingdom's announcement, the UAE and Kuwait also announced supply cuts. That's on top of an agreement between OPEC and its allies, led by Russia, who are known as OPEC+, to lower production by 9.7 million bpd from May 1.

As per a Reuters report citing four OPEC+ sources, OPEC and its allies want to maintain existing oil cuts beyond June when the OPEC+ group is next due to meet to shore up prices and demand.

Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman and his Russian counterpart Alexander Novak, discussed the situation on the global energy markets on Wednesday, reaffirming their commitment to stabilizing and restoring balance to markets disrupted by the coronavirus pandemic.

Oil has rebounded from last month's lows amid cautious optimism that heavy production cuts have put a floor under the price. The commodity is also finding some support as economies globally begin to reopen.

## MAJOR INDICES WEEKLY PERFORMANC (% change)

10-14/05/2020 (unless otherwise stated)

ABU DHABI ADX GENERAL 0.13%, BAHRAIN ASI -3.05%  
 IRAQ ISX60 -0.34%, IRAN TEDPIX 11.4% - (02-06/05/2020)  
 ISRAEL TA35 -5.65%, LEBANON BLOM 0% (11-15/05/2020)  
 PALESTINE AL-QUDS -0.11%, OMAN MSM30 -1.79%, QATAR QE GENERAL -0.73%, SAUDI ARABIA TADAWUL 1.33%  
 TURKEY BIST100 -3.23% (04-08/05/2020)

## HIGHLIGHTS in MIDDLE EAST BUSINESS



• Egypt's Suez Canal Bank will sell its entire stake in Middle East Oil Refinery (Midor) for \$30.6 million, Zawya reported. The 1.27 percent stake (560,000 shares) will be sold to Egyptian General Petroleum Corporation (EGPC) at \$54.7 per share.



• Dubai Airports CEO Paul Griffiths expects 18-24 months recovery timeframe. Dubai International Airport recorded 17.8 million customers in Q1 2020, down 19.8 per cent y-o-y due to dampened demand and reduced flights.



• Saudi Aramco said net income slid to 62.5 bn riyals in Q2 2020, down from 83.3 bn riyals y-o-y. "We are adapting to a highly complex and rapidly changing business environment," Aramco President and CEO Amin Nasser said

Weekly Report is for informational purposes only and should not be interpreted as specific investment advice. Indices are not meant to depict an actual investment. Past performance does not guarantee future results. Dividends may be increased, decreased or eliminated at any time without notice. Investors should understand the risks involved of owning investments, including interest rate risk, credit risk and market risk.

## NEWS TO WATCH

### Saudi Arabia triples VAT

The government in Riyadh is tripling its value added tax (VAT). Saudi Arabia's state news agency said VAT will increase from 5% to 15% as of 1 July, while the cost of living allowance will be suspended from 1 June. The announcement came after state spending outstripped income, pushing the kingdom into a \$9bn (£7.2bn) budget deficit in the first three months of the year.

### Iran Gov't will sell stakes in banks

Iran's government will launch one of its biggest schemes to divest banks' non-financial assets in the coming week, Financial Tribune reported.

The divestiture is related to non-financial assets of state-owned Bank Sepah, according to Abbas Mema mejad, the deputy economy minister for banking, insurance, and state-owned companies' affairs.

### Food prices in Lebanon spike by 55%

On average food prices have risen by 55 percent in Lebanon since April 2019, a recent policy paper by Lebanese think tank Triangle found.

Imported food prices, which must be purchased with the country's foreign currency reserves, have seen more significant increases. The country is currently dependent on imports for between 65-80 percent of its food supply.

### Qatar faces lose-lose fight over gas

With global gas demand shrinking rapidly and storage running chronically low, Qatar, as the world's biggest exporter of liquefied natural gas (LNG), faces a choice with no good options, Bloomberg said in an article Tuesday. The country has the option of either curbing output or firing the opening salvo in a battle for market share, which has the potential to turn gas prices negative.

## MSCI

► EM Europe Middle East

**-0.65%**

(Note: Weekly Change %)