



World Markets

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

WEEKLY
REPORT &
COMMENTARY

May 18-24, 2020
Issue 03

MAJOR WORLD INDICES

1.73 %
FTSE/JSE

3.29 %
DJIA

3.20 %
S&P500

3.44 %
NASDAQ

1.71 %
ASX200

1.91 %
SSECOMP

1.75 %
NIKKEI225

1.10 %
NIFTY50

5.82 %
DAX

3.34 %
FTSE100

MARKETS REVIEW Week May 18-24

Equities climbing in cautious environment

Risk appetite returned to world markets. Equity indices were mostly up driven by the optimism from the economic re-openings and the large fiscal and monetary stimulus packages. Headlines regarding potential answers to the pandemic out of the healthcare sector also offered support. But stocks gave up a portion of their gains as caution returned with US-China friction coming to the fore again.



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T. Balkoudi

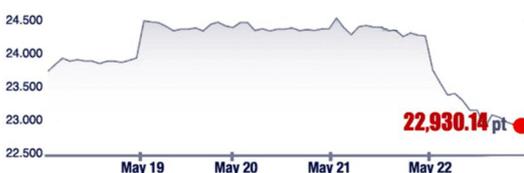
US: It was a strong week of gains for US stocks as some encouraging economic reports supported sentiment. Comments from US Federal Reserve Chair Jerome Powell who said that the central bank had not exhausted its options to counteract the slowdown also reinforced the brighter mood. IHS Markit's gauge of May services sector activity surprised on the upside, while mortgage applications jumped off a five-year low. (see Americas section on p.3)

ASIA/PACIFIC: Asian markets closed higher for the week but took a beating on Friday after China announced plans to impose a new security legislation on Hong Kong. In Japan, the central bank bolstered its support for business financing to about \$700 billion, launching its version of Federal Reserve's 'Main Street' lending scheme. In Australia, the ASX managed to end on a high for a fourth straight week. (see Asia/Pacific section on p.4)

EUROPE: Equities made gains in every major developed market in the continent as countries began to emerge from lockdowns. France and Germany proposed a one-off €500 billion rescue fund designed to support economies across the EU to rebound from the coronavirus crisis. Bank of England (BoE) Governor Andrew Bailey told lawmakers that BoE is neither ruling in nor ruling out negative interest rates as it tries to fight the worst downturn in centuries. His comments came shortly after the UK issued its first bond with a negative yield. Adding to the long list of monetary policy actions, the European Central Bank signalled that it is ready to do more. (See Europe section p.5)

Despite positive headlines which are driving the markets, uncertainties are creating an environment of caution. Investors seem to enjoy the recent rally but the economy and the stock market are seemingly on different pages at the moment. As economic forecasts continue to deteriorate, will they manage to hold their nerve amid the chaos?

Hang Seng falls sharply



HONG KONG HSI sank 5.56% on Friday, its biggest decline since July 2015

IN FOCUS THIS WEEK

TRADE 13%

WTO sees global trade dropping between 13% and 32% in 2020, depending on the endurance of the pandemic and post-pandemic recovery period.

STOCKS 31%

World stocks have bounced back by 31% in less than two months from a March selloff.

INTEREST 3.75%

The South African Reserve Bank cut its main lending rate by 50 basis points to 3.75%. The move helped send the rand to a two-month high.

INFLATION 3.1%

The Bank of Russia expects further growth of annual inflation that amounted to 3.1% in April.

SWF \$5.36bn

Sovereign wealth funds (SWF) invested \$5.36bn in U.S. equities and bonds in Q1, at the expense of riskier investments, eVestment data showed.

KEY POINTS



• **US-CHINA:** China-U.S. tensions flared up again. The White House stepped up pressure on China, while Beijing announced plans to impose national security legislation on Hong Kong.



• **EU:** German Chancellor Angela Merkel and French President Emmanuel Macron proposed the creation of a recovery fund worth €500 billion aimed at rescuing the EU from the toughest crisis in its history.



• **WORLD:** Kristalina Georgieva, the head of the International Monetary Fund, warned that full global economic recovery is unlikely in 2021. The Washington-based institution is due to release new global projections in June.



• **UK:** The Bank of England is now open to the idea of negative interest rates, Governor Andrew Bailey said, just days after it had ruled them out.



TOPICS IN BRIEF

Politics, Law, Disasters & Elections

The United Nations Office for the Coordination of Humanitarian Affairs on Monday announced that nearly 1 million people are affected and at least 24 people have died in the flash floods that hit Beledweyne and Jowhar, Somalia.

On the same day, Ugandan police arrested Stella Nyanzi, a prominent academic and vocal critic of President Yoweri Museveni as she protested against lockdown measures. The Parliament of Lesotho on Tuesday accepted the resignation of Tom Thabane and Finance minister Moeketsi Majoro replaced him as interim Prime Minister.

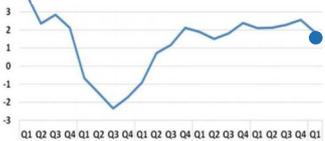
Citizens of Burundi headed to the polls on Wednesday to elect their president and the members of the National Assembly. Regional and international election observers were blocked from monitoring the election. Full results are expected within a week.

The World Bank approved a \$1 billion budget support operation for Kenya, which has recorded strong economic growth in recent years that has led to a reduction in poverty.

In South Africa, Basic Education Minister Angie Motshekga said schools will reopen for Grades 7 and 12 on June 1. The closure of schools halted a national feeding programme providing meals to 9 million extremely poor children.

CHART of the WEEK

Nigerian GDP grows in Q1 2020



National Bureau of Statistics

• Nigerian GDP grows in Q1 2020

In the first quarter of 2020, Nigeria's Gross Domestic Product (GDP) grew by 1.87% (year-on-year) in real terms. This performance was recorded against the backdrop of significant global disruptions resulting from the COVID-19 public health crisis, a sharp fall in oil prices and restricted international trade. The performance recorded in Q1 2020 represents a drop of -0.23% points compared to Q1 2019.

MARKETS REVIEW

NSE records loss, Egypt issues eurobonds

NIGERIA: Equities listed on the Nigerian Stock Exchange shed a whopping N1.95 trillion in the first quarter of the year. The Nigerian All-Share Index (ASI) also dropped by 20.73% during the period under review. The fall has been attributed to the coronavirus pandemic, as well as the plunge in global oil prices. The best performing indices in the market were: Industrial Index (-3.28%), NSE Insurance (-5.10%), NSE Premium Index (-16.77%), NSE Lotus Islamic (-17.56%), NSE Oil and Gas (-18.01%) and NSE AFR Div Yield Index (-18.86%). The NSE Consumer Goods was the worst performing index during the quarter, (-45.10%) Nigeria's most important commodity (crude oil), also registered its worst quarterly performance in the first quarter of the year.

Nigeria is just one of the many emerging and frontier markets which have experienced capital outflows due to the imminent global recession. A rise in the fortune of crude oil will bolster investor's confidence in the nation's capital market.

EGYPT: Egypt issued eurobonds worth \$5 bln, the finance ministry announced on Friday, describing it as the biggest international bond issuance in its history.

The ministry said the issuance was in three tranches with maturities of four, 12 and 30 years, and was mainly aimed at providing the necessary liquidity to cover the needs of the upcoming 2020/2021 fiscal year, which begins on 1 July.

The issuance attracted bids by over 400 investors, including 60 new investors who were subscribing to Egypt's international bonds for the first time. The bids came from investors in the US, the EU, Asia, the Middle East, and Africa.

The issuance was the second during the current 2019/2020 fiscal year, after a \$2 billion triple-tranche eurobond issuance in November. It comes nearly a week after Egypt secured \$2.772 billion from the International Monetary Fund (IMF).

MAJOR INDICES WEEKLY PERFORMANCE (% change)

COTE D'IVOIRE BRVM COMP -3.30%, EGYPT EGX30 -2.39%
KENYA NSE ASI 2.00%, MOROCCO MASI 2.96%, NAMIBIA FTSE/NSX OI 4.3%, NIGERIA ASI 5.59%, SOUTH AFRICA FTSE/JSE 1.73%, TANZANIA DSE ASI -1.12%, TUNISIA TUNINDEX -0.15%, UGANDA ASI 1.94%, ZAMBIA LSE ASI -0.11%, ZIMBABWE ZSE IND 32.21%.

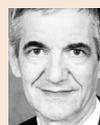
HIGHLIGHTS in AFRICAN BUSINESS



• Banking group Investec CEO Fani Titi told Fin24 that South Africa should accelerate the easing of the lockdown. He also said government and industries need to work towards a common objective of saving both the economy and lives.



• African e-commerce giant Jumia reported an almost 7% fall in Q1 revenue due to supply chain disruptions. Still, during an earnings call on Wednesday, founders Sacha Poignonec and Jeremy Hodara (pictured) said they saw opportunities amid the pandemic.



• Nigeria-based Dangote Cement reported a combined profit after tax (PAT) of N60.6 bn (0.6% YoY) in its Q1'20 unaudited results. The company revealed that it has obtained SEC approval for the planned share buyback programme (Picture: Michel Puchercos CEO)



• Ethiopian Airlines CEO is 'optimistic' on post-pandemic recovery. Tewolde Gebremariam, chief executive of Africa's biggest carrier, told Reuters he is confident that the passenger industry will recover because "people were not meant to be locked down".

NEWS TO WATCH

Wealthy countries have failed Africa

The presidents of Kenya, Ivory Coast, Sierra Leone, Senegal and Niger say wealthy industrial countries are failing Africa, with pledges of financial support and debt relief falling well short of the continent's needs amid the worsening COVID-19 outbreak. The leaders took part in a virtual roundtable on Tuesday organized by the New York Forum Institute.

Investors grab SA coins

Foreign investors are snapping up platinum coins engraved with African wildlife. Richard Collocott, managing director of the Johannesburg-based Prestige Bullion told Bloomberg that over 2,000 coins featuring an elephant sold out to US and Asian investors after being minted in March.

Rwanda's tea sector growing

In Rwanda, the tea sector spared by the coronavirus pandemic saw a marked increase during the first quarter of this year. It totals over 9,000 tonnes revenue of more than US\$27.6 million, which is up by 15% from the same period in 2019.

Sudan inflation hits 99%

Sudan's inflation rate has risen further to 99% in April due to rising food prices, the Sudanese Central Bureau of Statistics announced. This rate had already risen to 82% the previous month, over one year. But rising prices for grains, meat, milk and bread have further increased inflation.

Namibia suspends cereal imports

Namibia will suspend all cereal imports from next month. The Namibian Agronomic Board, NAB announced that maize and pearl millet imports will not be allowed entry into the country until millers have taken up the local harvest, later in the year, in November.



MSCI

▶ South Africa 1.30%

▶ EFM Africa EX SA 2.06%

(Note: Weekly Change %)



TOPICS IN BRIEF

Politics-Law-Crime Health-Int.Relations

The week kicked off with protests against the government in Chile's Santiago due to food shortages in the poorest neighborhoods of the city created by the lockdown.

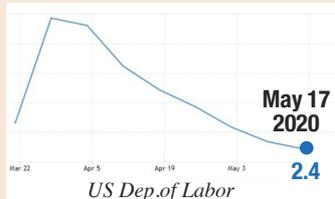
On Tuesday (May 19) Canadian Prime Minister Justin Trudeau announced the border between the United States and Canada will remain shut until June 21 as a result of the coronavirus pandemic.

In Brazil, the Ministry of Health reported 17,408 new confirmed cases and 1,179 more deaths from COVID-19, their highest daily death toll to date, bringing Brazil's death toll to 17,971 and 271,628 total cases. On Wednesday (May 20) Colombia followed in Argentina's footsteps and imposed one of the toughest travel bans in the world saying no international passenger flights will be allowed until August 31.

In Mexico, official data showed that homicides in the country hit record levels in the first four months of 2020, climbing by 2.4% from the same period last year. In Bolivia, Bolivian Minister of Health Marcelo Navajas was dismissed and arrested in graft probe over ventilators bought in a Spanish company.

On Thursday (May 21) US President Donald Trump announced Washington will withdraw from the Open Skies Treaty within six months, alleging Russian actions had prompted him to take the decision. The Open Skies Treaty came into force in 2002 and is designed to boost confidence and assure against attacks. Some 35 nations are party to the treaty. Russian's Ministry of Foreign Affairs called the move "very regrettable."

CHART of the WEEK



● US Initial Jobless Claims

The number of Americans filling for unemployment benefits hit 2.4 million, bringing the 9-week total to nearly 39 million. It was the seventh week in a row that claims declined but remained historically elevated. The weekly report is a crucial indicator of the US labour market.

MARKETS REVIEW

Uncertainty prevails despite optimism

US: It was a strong week of gains for US stocks as enthusiasm over the economy reopening and some encouraging economic reports supported sentiment. Comments from US Federal Reserve Chair Jerome Powell who told an interviewer that the central bank had not exhausted its options to counteract the slowdown reinforced the brighter mood. IHS Markit's manufacturing and services output in May showed improvement while existing home sales in April were surprising handily on the upside.

Mortgage applications jumped in May off a five-year low but weekly initial jobless claims for last week remained painfully elevated at roughly 2.4 million. News of progress on coronavirus vaccine development also lifted optimism for the economic recovery. However, a vaccine and a new round of



Samuel Torres
Prof. MBA & Markets

massive monetary and fiscal policy responses cannot fix the world economy. The world economy will rebound when people produce and consume again. Tensions between the US and China continued to rise, dampening gains slightly.

LATIN AMERICA: In Latin America, the coronavirus pandemic, the recession, oil prices and tensions between Washington and Beijing were the catalysts for the week, leading to a negative momentum and a fall in the main currencies of the region, which faces the largest contraction of GDP since 1930. Argentina is on course for a technical default and extends negotiations with creditors until June 2. In Mexico, telecommunications, health and industrial services stocks showed a significant move to the downside on Thursday. In Colombia, considerable weakness was visible among public services and agriculture sectors. In Brazil, which is becoming the new epicenter of the pandemic in the region, the stimulus package by President Bolsonaro improved sentiment on the business sector on the Sao Paulo stock exchange. In Venezuela, Caracas' IBC Index closed up 2.94%.

Finally, the number of unemployed in region will reach 37.7 million this year (up 11.5%) while Extreme poverty is expected to surge to 214 million people.

MAJOR INDICES WEEKLY PERFORMANCE (%change)

ARGENTINA: Merval 4.00%, BRAZIL: BOVESPA 5.95%
CANADA: TSX COMPOSITE 1.88%, CHILE: IPSA 2.80%
COLOMBIA: COLCAP 0.37%, JAMAICA: JSE -2.31%, MEXICO: IPC 0.26%
PERU: S&P LIMA GENERAL 1.05%, VENEZUELA: BVCC 1.40%
USA: S&P 500 3.20%, USA: DJIA 3.29%, USA: NASDAQ COMPOSITE 3.44%

AMERICAN BUSINESS HIGHLIGHTS



● Santander Consumer USA Inc. the nation's largest subprime auto financing company, settled claims of loan improprieties with 34 states to the tune of \$550 million. The company said it had been expecting the settlement. (Picture: CEO Timothy Wennes)



● Apollo Global has invested \$1.75 billion in US supermarket operator Albertsons. "We believe the investment led by the Apollo funds represents a vote of confidence in both our business and our long-term strategy," Albertsons CEO Vivek Sankaran said.



● E-commerce company Shopify will have staff work from home as much as possible, even after the pandemic ends. Tobi Lutke, CEO Shopify, which became Canada's most valuable company earlier this month, said in a tweet it's now "digital by default."



● AT&T Inc said on Tuesday it was shutting its Venezuela subscription TV unit, DirecTV, citing US sanctions, cutting off a key source of entertainment for millions of people. DirecTV was Venezuela's most popular television service. (Picture: AT&T CEO: Randall L. Stephenson)

NEWS TO WATCH

Canada's inflation rate goes negative

Annual inflation rate turned negative in April, Statistics Canada data showed. The consumer price index for April dropped to -0.2% compared with a year ago, the first year-over-year decline since September 2009, when prices fell -0.9%. Among the major categories seeing huge price declines were: Gasoline, traveler accommodation, electricity prices, clothing and footwear.

US money market assets increased

US money market fund assets increased by \$5.81 billion to \$4.722 trillion in the week ended May 19, the Money Fund Report said. Taxable money market fund assets increased by \$6.35 billion to \$4.587 trillion, while tax-free assets decreased by \$531.10 million to \$134.77 billion, according to the report, published by iMoneyNet.

Ecuador cuts public spending by \$4 bn

The Andean country's government on Tuesday announced new public spending cuts aimed at saving \$4 billion. The South American nation has been hit hard by the global fall of oil prices, one of its main exports. The country uses the U.S. dollar as its currency, which stops it from printing money to finance spending.

Venezuela sues BoE over \$1bn gold

Venezuela has launched legal proceedings against the Bank of England (BoE) over its refusal to release €930m (\$1bn; £820m) worth of Venezuelan gold stashed in its vaults. BoE has delayed the transfer of 31 tonnes of Venezuelan gold since 2018. According to the claim form filed to London's High Court, the UK central bank's actions are "depriving Venezuela's central bank (BCV) of access to its gold reserves at a time of national and global emergency."



MSCI

- ▶ North America **3.26%**
- ▶ EM Latin America **8.38%**

(Note: Weekly Change %)

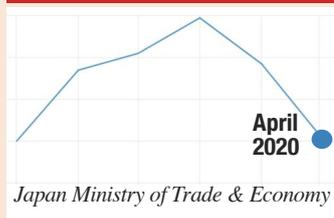


TOPICS IN BRIEF

Politics, Accidents, Disasters, Law, Health

Six Pakistani soldiers were killed on Tuesday when their vehicle was targeted by a roadside bomb in Balochistan. A military court in Vietnam on Thursday sentenced former deputy defense minister Nguyễn Văn Hiến to four years in prison for allowing three plots of land in Ho Chi Minh City to be illegally transferred from the Navy to private investors. An Airbus A320 carrying 99 people crashed on Friday in a residential area near Karachi Airport, Pakistan. Ninety-seven people onboard were killed; the other two survived injured. In New Zealand, Todd Muller defeated Simon Bridges to become the new leader of the National Party, and the Leader of the Opposition. In China, the government scrapped its longstanding tradition of offering an annual growth target in its yearly work report unveiled at the start of the annual meeting of parliament, citing uncertainties brought on by the pandemic. "If the epidemic hadn't happened, under general circumstances, the GDP growth target would be set around 6%," Chinese President Xi Jinping told a parliamentary group discussion on Friday, according to state media. The next day, the country reported no cases for the first time since the pandemic began.

CHART of the WEEK



Japan industrial production down 3.7%

Industrial production in Japan declined by 3.7% month-on-month in March 2020, the steepest drop in industrial output since October last year, due to the COVID-19 outbreak. The largest contributors to the decrease were motor vehicles, production machinery, and inorganic & organic chemicals. On an annual basis, industrial output fell 5.2% in March, the sixth straight month of decline, after a 5.7% decline in February.

MARKETS REVIEW

Monetary policy moves and politics in focus

Asian markets closed higher for the week but took a beating on Friday.

CHINA: The week saw a further deterioration in U.S.-China relations. The US Senate overwhelmingly passed a bill that could block some Chinese companies from listing on US stock exchanges. Meanwhile, China urged domestic firms to list in London to hedge against Wall St's growing hostility. The South China Morning Post reported citing sources. Investors pulled from Hong Kong stocks on Friday as China announced plans to impose a new security legislation on the Special Administrative Region with the Hang Seng Index sinking 5.6%. Mainland A-shares also dropped on the last trading day of the week. Critics say the proposed legislation would effectively end one country, two systems status.

JAPAN: Japanese stocks posted gains for the week as the Bank of Japan left its monetary policy stance unchanged and pledged further support. The central bank bolstered its support for business financing to about \$700 billion, launching its version of Federal Reserve's 'Main Street' lending scheme.

The country's economic conditions will likely stay tough in the current quarter, Finance Minister Taro Aso said on Tuesday. Ministry of Finance (MOF) data on Thursday showed Japan's exports fell 21.9 percent in April year-on-year, the fastest decline since the 2009 global financial crisis, as pandemic wipes out global demand car exports there plunging 65.8%.

AUSTRALIA/NZ: In Australia, the ASX managed to bank a fourth straight week of gains but closed lower on Friday. Earlier in the week, minutes from the country's central bank's last meeting revealed that Australia is facing an "unprecedented" economic contraction due to the coronavirus pandemic.

In New Zealand, RBNZ Deputy Governor Geoff Bascand told Reuters in an interview that the central bank "will evaluate negative rates alongside other options."

MAJOR INDICES WEEKLY PERFORMANCE (%change)

AUSTRALIA ASX200 1.71%, CHINA SSE COMP -1.91%, CHINA SZSE COMP -3.10%, INDIA NIFTY50 -1.10%, INDIA SENSEX30 -1.37, JAPAN NIKKEI225 1.75%, MALAYSIA KLCI 2.37%, NEW ZEALAND NZX50 -0.63%, SINGAPORE STI 2.62%, PHILIPPINES PSEi -0.05%, TAIWAN TWI -0.03%, THAILAND SET 1.81%

HIGHLIGHTS in ASIA&PACIFIC BUSINESS



• Australian consumer lending company Afterpay said it has signed up 1 million active customers in the U.S. over the past 10 weeks. Afterpay plans to launch in stores in the US in its fiscal H2 2020. (picture: Anthony Eisen CEO)



• Chinese online search giant reported a 7% year-on-year revenue decline in Q1 to 22.5 bn yuan (\$3.18 bn). Diversified revenue streams helped Baidu to stay resilient amid the fallout of the pandemic, said Robin Li, co-founder and CEO.



• Japan's Nomura said it planned to beef up business with unlisted companies, including offering advice to startups "To achieve sustainable growth, I have to take Nomura to a different dimension" CEO Kentaro Okuda told an investor briefing.



• Co-working major WeWork India has decided to lay off around 20 per cent of its staff. In a statement, Karan Virwani, CEO noted that the decisions impacting people are "some of the hardest" to make.

NEWS TO WATCH

Big slump in South Korea's exports

South Korea's exports dropped 20.3 percent in the first 20 days of May, from the same period a year earlier, data from the Korea Customs Service showed. The value of exports reached \$20.3 billion, compared to \$25.5 billion a year ago. Monthly trade data from Asia's fourth-largest economy is considered a bellwether for world trade as it is the first to be released among major exporting nations.

HSBC sees big wealth asset growth

HSBC Holdings, Europe's largest lender by assets, expects to achieve double-digit asset growth in its newly combined wealth business in Asia Pacific by 2023, Greg Hingston, the unit's regional head told Reuters. The combined wealth business, which came into effect on May 1, manages assets worth about US\$1.3 trillion globally, with nearly half of that in Asia.

Singapore to restart economy

The city state will see three-quarters of its economy resume normal operations when curbs to fight the coronavirus are eased from June 2, its government said on Tuesday, after two months of workplace closures. Retail stores and restaurant dining likely to resume in July, Nikkei Asian Review reported.

Good news for Australia's jobs market

Payroll data from the Australian Taxation Office, analysed by the Bureau of Statistics (ABS), shows the number of employees on payroll fell 7.3 per cent nationally from mid-March to early May. "The latest data shows a further slowing in the fall in COVID-19 job losses between mid-April and early May," said Bjorn Jarvis, head of labour statistics at the ABS.

MSCI

► AC Asia Pacific -0.07%

► Asia ex Japan -1.46%

(Note: Weekly Change %)



TOPICS IN BRIEF

Politics, Business, Law, Social

In Sweden, an earthquake with a magnitude of 4.1 stroke near Kiruna on Monday. No injuries were reported. The European Court of Justice on Tuesday ruled that Hungarian authorities circumvented EU law by holding Afghan and Iranian asylum seekers in unlawful detention at a camp near the Serbian border.

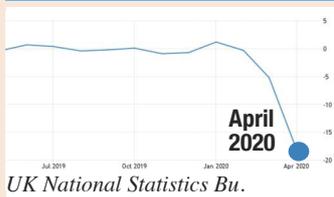
Kyrgyzstan will reopen the retail and services sectors from May 21, and public transportation from May 25, the government said on Tuesday. The European Union's Brexit negotiator, Michel Barnier, said on Wednesday that Britain was not automatically entitled to any benefits that the bloc had previously granted to other partners on trade.

Europe's largest coach operator Shearings collapsed into administration on Friday with 2,460 immediate job losses and thousands of holidays cancelled.

The Ukrainian Ministry of Internal Affairs confirmed on Saturday that Valeriy Davydenko, an independent member of the Verkhovna Rada, the unicameral parliament of Ukraine, had been found dead in his office in Kiev with a gunshot wound to the head.

In Spain, thousands of protesters participated in car protests in Madrid, Seville, Barcelona and other cities against the lockdown and the national government.

CHART of the WEEK



● UK retail sales fall by a record 18%

Retail sales in the UK plunged 18.1% month-over-month in April of 2020, worse than market expectations of a 16% fall. It is the biggest slump in retail sales on record, due to the coronavirus pandemic and restrictive measures imposed such as stores and business closures. Biggest declines were seen for sales of fuel (-52%), clothing and footwear (-50.2%) and household goods

MARKETS REVIEW

A solid advance amid encouraging signs

European equities made gains in every major developed market in the continent as countries began to emerge from lockdowns.

UK: After growing speculations, Bank of England (BoE) Governor Andrew Bailey told lawmakers on Wednesday that BoE is neither ruling in nor ruling out negative interest rates, as it tries to fight the worst downturn in centuries. It's worth remembering that only a couple of weeks ago, Bailey said, in effect, that the BoE had never lowered interest rates to below zero and wasn't going to start now.

His Wednesday comments came shortly after the UK issued its first bond with a negative yield. The auction means Britain joined the club of negative-yielding debt issuers. Meanwhile, April jobless claims jumped to highest since 1996, data showed.

EUROZONE: Equities ended the week higher. France and Germany proposed Monday a one-off €500 billion rescue fund designed to support economies across the EU to rebound from the coronavirus crisis. The announcement followed weeks of debate between EU leaders over which financial mechanisms should be used.

France, Italy and Spain had favored grants but Austria, the Netherlands, Denmark, and Sweden said they would only accept a rescue fund that gave out loans. French Economy and Finance Minister Bruno Le Maire stressed on Tuesday that the fund is not expected to become available before 2021.

Germany's DAX index was especially strong after the monthly survey published by ZEW showed that economic sentiment in Europe's largest economy surged to 51 points in May significantly surpassing the expectations.

Adding to optimism, purchasing managers' indices for the region encouragingly showed improved activity in most countries in May and Eurozone consumer confidence was also up slightly this month.

MAJOR INDICES WEEKLY PERFORMANCE (%change)

BELGIUM BEL20 1.04%, DENMARK OMXC25 4.75%, FRANCE CAC40 3.90%, GERMANY DAX 5.82%, ITALY FTSE MIB 2.75% NETHERLANDS AEX 4.81%, NORWAY HEX 2.74%, PORTUGAL PSI20 6.14%, RUSSIA MOEX 4.45%, SPAIN IBEX35 3.44%, SWEDEN OMXS30 4.14%, SWITZERLAND SMI 2.17%, UK FTSE100 -3.34%.

HIGHLIGHTS in EUROPEAN BUSINESS



● Austria-based group Borealis has announced that it pulls out of \$6.8bn plan to build petrochemical plant in Kazakhstan, citing economic uncertainties sparked by the pandemic. The company also reported a net profit of €151m in Q1. (Picture: Borealis CEO Alfred Stern)



● Russian gas giant Gazprom is moving ahead with plans to build a \$20bn gas pipeline to China. Gazprom CEO Alexei Miller (pictured) announced to Russian media that the company had begun design and surveying work for the pipeline.



● Zalando, Europe's biggest online only fashion retailer, proposed that Jennifer Hyman (pictured) joins its supervisory board, replacing Alexander Samwer. Hyman is CEO and Co-Founder of clothing rental firm Rent the Runway.



● Terms of a planned merger between Fiat Chrysler and Peugeot-owner PSA are set in stone, FCA's chairman John Elkann (pictured) said in conference call after the annual shareholder meeting of Exor, the Agnelli family holding company which controls FCA.

NEWS TO WATCH

ECB Meeting Accounts

The European Central Bank (ECB) released on Friday (May 22) the accounts of its April monetary policy meeting saying that despite market liquidity "progressively improving," financial markets continue to show "signs of fragility." Members of the ECB board concluded the "mild" scenario for the coronavirus pandemic has been too optimistic, adding a V-shaped economic recovery can "probably be ruled out."

Russia's gold reserves top-up

In April, the value of the Russian central bank's gold reserves grew by \$6.244 billion, or 5.2 percent, reaching a value equivalent of over \$126 billion, or 21.3 percent of the bank's total reserves, according to figures released by the regulator. The central bank's international reserves, consisting of gold, foreign currency reserves and special drawing rights assets, are a type of rainy day investment fund enabling the Russian government to pay off foreign lenders, or make up for gaps in the budget during a crisis period. According to the World Gold Council (WGC), in 2018 Russia bought 274.3 tons of gold, in 2019- 158.1, and so far in 2020 - 28 tons.

Outlook for European corporate profits worsens

Expectations for second- and third-quarter corporate profits are deteriorating further in Europe. Companies listed on the pan-European STOXX 600 are now expected to report a decline of 48.4% in second-quarter earnings, down from a drop of 46.7% forecast the week before. Before the pandemic, analysts had expected the first quarter of 2020 to bring an end to Europe's corporate recession that had lasted through 2019.



MSCI

▶ Europe **4.18%**
▶ Large Cap **3.37%**

(Note: Weekly Change %)



TOPICS IN BRIEF

Politics, Conflicts, Law, Health, Int. Relations

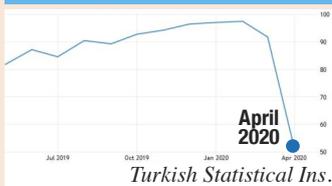
Qatar tightened restrictions on commercial activities on Monday, as part of measures to stem the spread of the novel coronavirus. The United Arab Emirates said it will extend a nightly curfew by two hours from this week and it would next month start receiving those with valid residencies stranded abroad whose families are in the UAE, state media reported.

Palestinian President Mahmoud Abbas on Tuesday announced the termination of all agreements, including security ones, with Israel and the United States in response to Israel's plans to annex the Jordan Valley, according to Wafa.

The United Nations expressed alarm at violence in Afghanistan as Afghan civilian casualties jumped to 380 in April. The International Monetary Fund on Wednesday approved a \$396 million loan to Jordan to address pressing financing needs after the country's economy was hit hard by the coronavirus.

Lebanon's PM Hassan Diab wrote in The Washington Post on Thursday: "Once the breadbasket of the Eastern Mediterranean, Lebanon is facing a dramatic challenge that seemed unimaginable a decade ago: the risk of a major food crisis."

CHART of the WEEK



● Turkey's economic confidence index falls

Turkey's economic confidence index had a drop in April of 5.8 percent to 51.3 in April 2020 from 91.8 in the previous month. It was the lowest reading on record, as sentiment deteriorated among service providers manufacturers, retailers; constructors and consumers.

MARKETS REVIEW

Arab Markets experience losses

ARAB COUNTRIES: Major Arab stock markets registered value losses of about 25% in the first quarter of 2020, due to heightened volatility in oil markets and the pandemic, a UN agency said.

The new policy brief by the United Nations Economic and Social Commission for Western Asia (ESCWA) and the Union of Arab Banks on the current situation of Arab financial markets and the banking sector in the Arab region, found that the coronavirus pandemic and the collapse in oil prices, have lowered investors' appetite for risk and decreased trading in stock markets, investment, tourism and remittances inflows, rendering future growth prospects bleak.

The health and oil crises also decreased the share price values of the largest Gulf Cooperation Council countries' banks by 25 per cent in the first quarter of 2020. Default rates may reach 10%, up from 5% in 2019.

TURKEY: Turkey's benchmark stock index BIST100 closed up 3.3% for the week. The market was closed on Tuesday for a holiday. Turkey's Central Bank on Thursday lowered its key interest rate, also known as the one-week repo rate, to 8.25% from 8.75%, in line with market expectation. Since the beginning of this year, the bank has cut the rate by a total of 375 basis points.

Meanwhile, the government has been strongly encouraging domestic banks and corporations to buy Turkish government bonds and to minimize exchanges of lira for other currencies.

MAJOR INDICES WEEKLY PERFORMANC (% change)

17-21/05/2020 (unless otherwise stated)

ABU DHABI ADX GENERAL 1.13%, BAHRAIN ASI 2.40%

IRAQ ISX60 -0.91%, IRAN TEDPIX 4.1% - (09-13/05/2020)

ISRAELTA35 5.23%, LEBANON BLOM -7.87% (18-22/05/2020)

PALESTINE AL-QUDS 0.14%, OMAN MSM30 -0.40%, QATAR

QE GENERAL 1.58%, SAUDI ARABIA TADAWUL 4.97%

TURKEY BIST100 3.26% (18-26/05/2020)

HIGHLIGHTS in MIDDLE EAST BUSINESS



● UAE telecoms operator Etisalat announced on Wednesday that its CEO Saleh Al Abdooli has resigned for personal reasons. The board of directors has accepted his resignation and appointed Hatem Dowidar (pictured) as acting CEO for the group.



● 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.



● Royal Dutch Shell evacuated some 60 foreign staff from Iraq's Basra Gas Company - a venture between South Gas Company, Shell and Mitsubishi- as a security measure following a protest over delayed pay. (Picture: Shell CEO Ben van Beurden)

NEWS TO WATCH

Turkey, Qatar triple FX swap line

Turkey secured a tripling of its currency-swap agreement with Qatar, Turkey's central bank said on Wednesday. The deal is valued at \$15bn. Turkey obtained \$3 billion of the swaps from Qatar at the height of a currency crisis in August 2018.

Kuwait, S.Arabia suspend joint field production

Kuwait and Saudi Arabia will halt oil production from the joint Al-Khafji field for one month starting June 1 following an output cut deal between OPEC and non-OPEC countries, state news agency KUNA reported.

Oman cuts salaries for new civil servants

Oman has reduced the salaries of new civil service employees by up to 20 per cent with immediate effect. The salaries cuts range from 20 per cent for doctorate holders to 5 per cent for secondary school graduates. The sultanate last raised civil servants' salaries in 2013.

Bol head supports expansionary budget

Bank of Israel Governor Amir Yaron said he supports an expansionary 2020-21 budget. "As long as the economy is in a phase of contraction or even a phase of recovery, we don't want to tighten belts in a way that prevents it from growing as fast as possible and exiting the crisis," Yaron told an online economic conference.

Bad news for Dubai companies

A new survey by the Dubai Chamber of Commerce revealed that 70% of Dubai companies expect to go out of business within six months. The Chamber surveyed 1,228 CEOs across a range of sectors between April 16-22, during the emirate's strictest lockdown period.

● Important Information

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► EM Europe Middle East
5.83%

(Note: Weekly Change %)