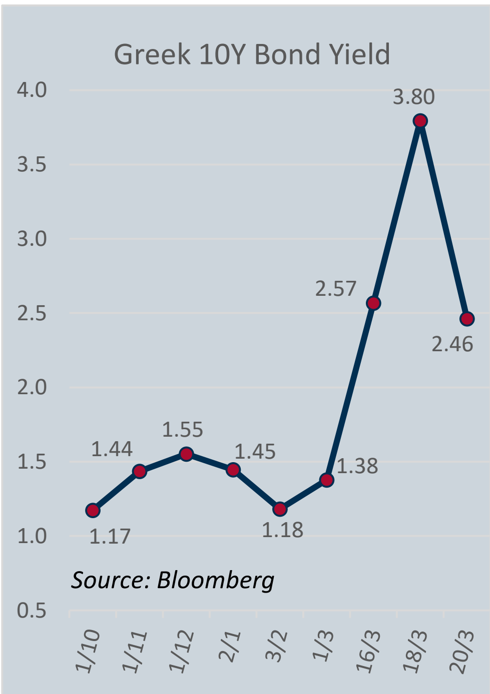
Greek Market

Greek bourse reacts positively but hesitantly to monetary and fiscal actions

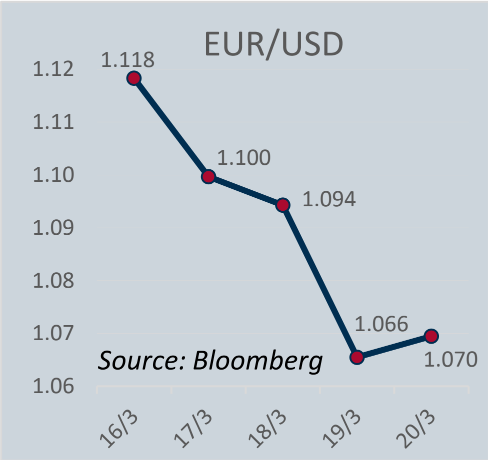
Athens Stock Exchange General Index ended this week at 555.13 points presenting a 0.57% upside from the previous week's closing price of 551.97. The Large-Cap FTSE 20 posted -3.40% weekly losses while the banks index FTSEB ended at -20.62%. In the beginning of this week, the Greek bourse took another tumble sliding below 500 points, the worst slump counting 49 months ago. Both global downward tendencies, such as the biggest U.S rout in more than 30 years, and domestic concerns regarding the pandemic contagion as the victims' number increase, are driving the Greek indices the past 3 weeks in record setting lows. The ASE's slight recovery, later this week, is based mostly on the ECB's announcements as well as expectations for new rounds of fiscal measures. In this unprecedented global shock, the focal point is, apart from COVID-19's inevitable economic repercussions in every virus-hit country, the Greek market's dependence to imported indices reactions and its exposure to foreign institutional investors. Unfortunately, ASE remains rather shallow compared to other European markets and is bound to severe fluctuations. The belated ban of short selling until the 24th of April, in order to ensure the intercept of volatility, can only have a short-term effect. However, ECB's decision to include Greece into its emergency bond-buying program gives the impression that every weapon of its arsenal will be used, until the governments' restrictions for the coronavirus' spread prevention will hopefully start to pay off.

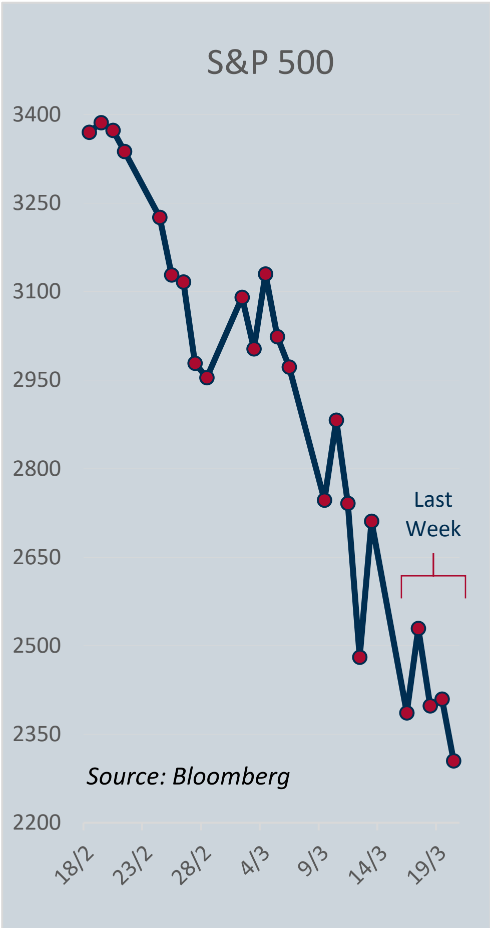


Greek Economy

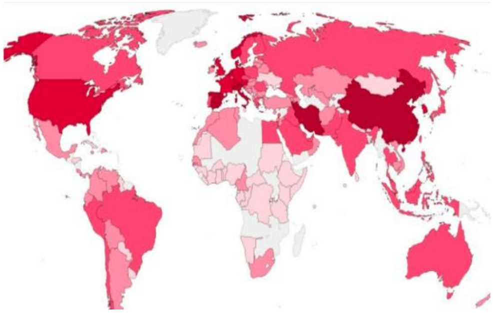
Tighter lockdown restrictions & wider fiscal stimulus against SARS-CoV-2

Regarding Greek government's requests to deal with the consequences of COVID-19, EWG permits flexibility on the fiscal requirements and emergency health care spending will be exempt from budget's deficit. As all retail shops that do not provide essential products and services remain closed, Minister of Finance reported on Tuesday that the loan payments will be suspended for 6 months for enterprises that have been hit, on top of tax and insurance obligations' suspension for 3 and 4 months, respectively. On Wednesday, Ministers of Finance, Labor and Investment, announced another round of €1 bn measures for enterprises that have been affected from COVID-19, providing an allowance of € 800 for their employees. Furthermore, EIF (European Investment Fund) will provide €1.8 bn for companies' liquidity while the VAT for essential medical and hygiene products, will be decreased from 24% to 6%. On Friday, BoG reported its predictions for the growth of the Greek economy, amending the base scenario at 0% compared to the previous one at 2.4%, while the Current Account deficit for January increased by €108 m, at €1.3 bn.





Coronavirus reported cases



Source: Bloomberg

European Markets & Economy

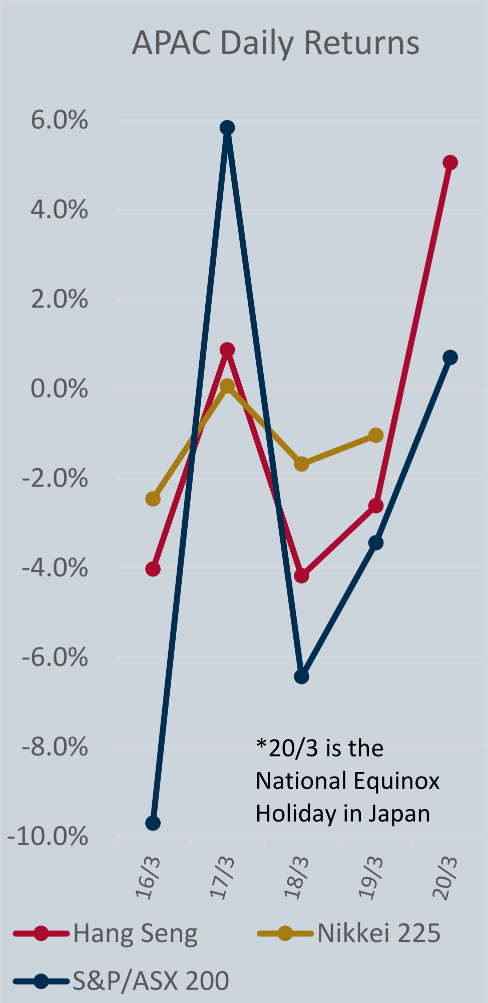
ECB & Commission do "whatever it takes" for the new outbreak's epicenter

On Wednesday, ECB reported a massive and unexpected purchase of €750 bn of sovereign and corporate bonds. From this "Pandemic Emergency Purchase Program" (PEPP) €12 bn will be used for Greek bonds, despite the fact that the country hasn't reached the investment grade yet. This decision sealed the Central Bank's determination to do "whatever necessary" and deescalated bonds YTM in several high-yield countries, including Greece. BoE announced another 15-bps cut, setting its key rate at 0.1%, while QE will restart with £200 bn of mainly UK government securities. In parallel with ECB's actions, EU Commission President Ursula von der Leyen activated a safeguard clause in the European Stability and Growth Pact that will allow governments "to pump as much money as it takes into the system", waiving several budget limits that currently exist for EU members. Therefore, more fiscal action is expected this week at the current epicenter of COVID-19's outbreak. (DAX30 -3.28%, CAC40 -1.69%, FTSE MIB -1.39% and FTSE100 -3.27%).

US Markets & Economy

FED pumps liquidity in fear of a credit crunch, while investors dash for cash

One of the worst weeks unfolded, in which volatility hit all-time record highs. Reacting to the size of FED's actions, markets fear what they might not have factored in already. Circuit breakers were triggered two times as the S&P500 fell more than 7%, while its futures had limit-down before the market opening. Economic theory and rules of thumb struggle to justify market's movements, as stocks move down in parallel with bonds, gold, oil and global currencies in this tumbling, as the US dollar appears to be the only remaining haven. Everything seems to be liquidated into the "greenback" and remain as such until this decade-worth of monetary and fiscal action starts to produce results. Risen credit spreads in different areas of the fixed income market forced FED to provide liquidity across the credit market by buying not only Treasuries and MBS, but also Commercial Papers and high-quality Municipals. The FED announced that it has implemented temporary swap lines with nine other foreign central banks coupled with a money-market mutual funds support program, further easing pressure off the financial markets, amid the coronavirus pandemic, by injecting additional liquidity. The big-3 US automakers agreed to temporarily shut down factories, while Amazon announced 100K new jobs to meet extraordinary demand and many companies dry up their credit lines, bringing up bad memories to those who monitor them. As for the impact of social distancing on US industries, energy, hospitality and airlines take the hit, while consumer discretionary and staples stocks are generally in a better position. The worst week, since 2008 financial crisis, finally ended with key Wall Street Indices facing record losses and unprecedented volatility (S&P 500 -14.98%, Dow 30 -17.30%, NASDAQ100 -12.64%, CBOE VIX +14.2%). It is worth mentioning that VIX's (VIX tracks the volatility of S&P500 based on put & call options for the upcoming month) YTD performance is +379.25%, while the size of S&P500's downfall that started after Feb 19th, currently stands at c -32%.



Asian Pacific Markets & Economy

Slight signs of recovery amid volatility, as new measures assist the region

Asian Markets saw slight signs of gains in Friday after an eventful and volatile week. Most of APAC Indices rose on Friday due to the elastic monetary measures and the biggest one-day rise of the US crude WTI by 23% on Thursday after President Trump's statements on stabilizing prices. In addition, the Japanese Prime Minister ordered the formation of a council so to regulate a coordinated response to the COVID-19 pandemic that will include fiscal stimulus and monetary actions while interest rates remain unchanged for now. A helping hand is thought to be given by the apparent cut of sales tax in order to boost consumption. At the same page, China, which reported two straight days without new cases of COVID-19, hopes that the outbreak and its repercussions were short-lived. The Chinese economic data, being way lower than forecasted earlier this year, drive analysts to mitigate their GDP estimations for 1Q'20, while at the same time the PBoC decided not to cut rates, leaving the one-year loan prime rate (LPr) at 4.05%. In Korea, the central banks' immediate actions led to a small rise on Friday, most importantly due to the half percentage rate cut on Monday and the US statement that Korea will be one of the countries borrowing US dollars at a discount. At last in Australia, the RBA cut its policy rate to 0.25%, a record low and implemented its first ever quantitative easing program in an effort to limit down the effects of the coronavirus outbreak. All that resulted on a small rebound on Friday lowering the steep fall of the markets these past few weeks (SCI -4.91%, Nikkei225 -5.04%, Hang Seng -5.11%, KOSPI -11.59% and S&P/ASX200 -13.05%).

Commodities

Gold liquidation continues, while oil tumbles and natural gas follows suit

Last week was a volatile one for gold, driven mostly by COVID-19 developments, upcoming recession fears and various Central Banks' rescue plans. The yellow metal fell in historic lows below $ 1,500 at $1,455.65 as gold investors did not reacted positively to the Rescue Plan by Trump and Mnuchin. EU's Rescue program combined with positive actions by BoE and RBA, stabilized gold's performance closing at $1,501.15 on Friday (-1.81%). A turbulent week for oil as well, as the mounting fears over the price of the fossil fuel amid the price war between Russia and Saudi Arabia, sent the price in 17y historic lows in its worst week since the Gulf-War (WTI: $22.43, -29.3% & Brent: $26.98, -20.3%). Trump's announcement that he is going to stock the SPR and his vow to engage in the price war in the appropriate time, relieved partially the commodity's market participants, resulting in a short rally. Finally, oil returned in low prices amid COVID-19 fears and record US shale output. Natural gas reached historic lows as well, at $ 1.562/MMBtu due to COVID-19 rising cases in Europe and generally high temperatures. Finally, the EIA reported a decline above expectation in US domestic supplies (9bcf actual vs 8bcf expected) giving the market a glimpse of hope.

MARCH 2020	What to expect this week		
MON 16	TUE 10	WED 11	THU 12
▪ Japan Services PMI (forecast: 51.0)	▪ German Manufacturing PMI (Mar forecast: 40.0) ▪ Europe Manufacturing PMI (Mar forecast: 39.0) ▪ UK Manufact. PMI (Mar) ▪ US New Home Sales (Feb forecast: 750K)	▪ UK CPI YoY (Feb forecast: 1.6%) ▪ US Crude Oil Inventories ▪ US Durable Goods Orders (Feb MoM forecast: -0.8%)	▪ UK BoE Interest Rate Decision (Mar) ▪ US GDP QoQ 4Q19 (forecast: 1.3%)
FRI 13	SAT 14	SUN 15	
▪ US Personal Spending (Feb MoM forecast: 0.2%)			

Source: Investing.com

What to look for this week

This week, markets will try to quantify how last week's aggressive decisions towards both monetary and fiscal stimulus will play out. As previously mentioned, volatility spiked and investors were willing to pay a lot for the greenback. Forward swaps will indicate whether this trend endures. PMI surveys are crucial, probably the most to date, in order to monitor the impact of this outbreak. Meetings between government officials and oil companies' management teams could alter the current situation. Japan is closely monitored for 3 main reasons: its current relative inactivity regarding interest rates, the weakening yen ¥ and a decision for 2020 Tokyo Olympics. Additionally, as fund managers strive for cash, investors will be persuaded to buy the dip and while equities trade below the average P/E, questions about how this situation will unfold remain in place. Finally, the discussion over the "Phase-3" stimulus package in the US will continue. This bill dwarfs its 2 predecessors, as roughly $1 tn of stimulus could cover SME' loans, refundable tax credits, bailout of troubled industries and payments to US citizens.

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