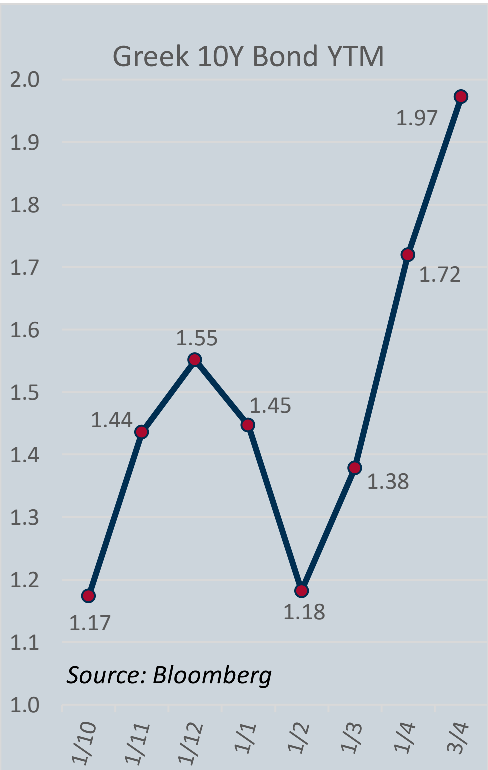
Financial Markets Weekly Outlook

Early April: 30.3-03.4.2020



Greek Market

Low volume with mild losses, pending stronger data & measures from EU

Last week, the Athens Stock Exchange closed at 540.74 points posting 1.83% losses compared to previous Friday's closing of 550.85 points. FTSE Large-Cap posted weekly losses of 0.90%, while FTSEB yielded -9.12%, respectively. ASE showcased once more that was not able to grasp a relief from the negative sentiment in the European markets driven not only by the pandemic and the lockdown, but also by the weakness of EU Leaders, so far, to come up with an accepted policy to encounter the economic damage of these. ECB's credit reassurance, offering optimistic tendencies to the banking sector, combined with the national lockdown measures that appear to contain the spread, the Greek bourse underwent a confident improvement in the beginning of last week, moving closer to the psychological frontier of 600 points. Ending the 1Q'20 this Tuesday, the Greek benchmark showcased monthly losses of 22.5%, presenting an overall YTD decline of 39.9%. The market capitalization was also severely damaged, shrinking over € 22 bn. Later in the week, the banking sector fell back on its downturn rally mostly marred by the ongoing outbreak and its impact on 1Q's results, leaving a mixed sentiment, awaiting Eurostat's 1Q-results and the next Eurogroup. After a turbulent month, the Greek GI is counting its wounds trying reluctantly, -based on volume- to follow positive signals regarding the virus expansion and its repercussions.

Greek Economy

Fiscal policy follows enlarged fiscal capacity amid a prolonged lockdown

Starting last week, the MoF announced a new €6.8 bn (6.5% of GDP) stimulus package that includes €800 payments to 1.7m employees (81% of the private sector) and postponing VAT payments for 800K businesses. On Wednesday, the BoG released the weighted average interest rates for February '20 showing stability for new deposits whereas those of the new loans presented a slight decrease to 4.15%. The same day, PDMA conducted an auction of €375 m 26W T-bills at 0.30%, 25 bps higher than Feb's auction. The State borrowed the auctioned amount and €112.5 m non-competitive bids. On Thursday the supplementary government budget was published, derailed by an additional amount of € 5 bn which will be used for the intensification of the protection measures against the spread of the virus. Scope Ratings reviewed predictions for the Greek economy with a downgrade from -1% to -7% due to the high sensitivity of tourism to COVID-19 outcomes, while the MoF presented a recession scenario around 3-4%. Lastly, the European Commission approved the request for support of €2 bn which will be used to stimulate business activity, while BoG formed an account to raise donations towards social policy actions and solidarity measures.

European Markets & Economy

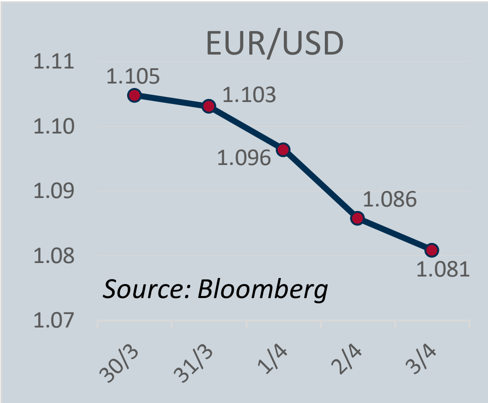
Prolonged decisions and lockdowns, while business activity is deteriorated

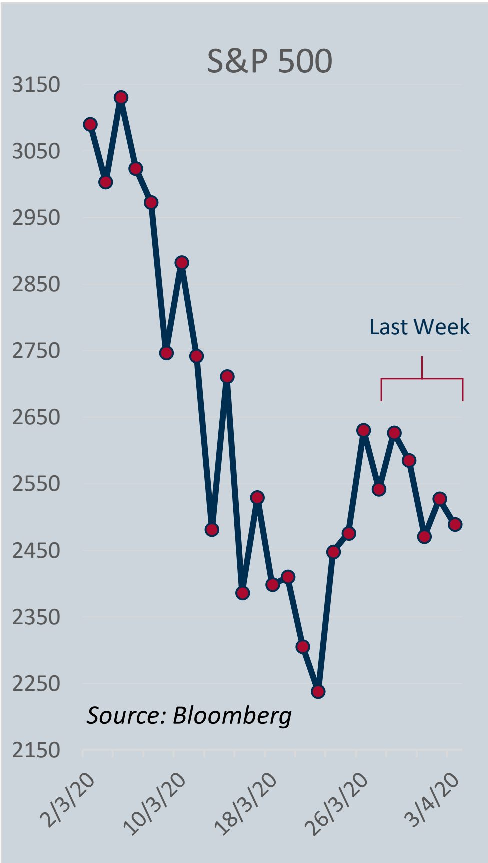
European Indices had one of the worst quarters in their history as STOXX fell 23% in the 1Q, recording the largest loss since November 2008 (DAX30 -25%, CAC40 -26.5% and FTSE100 -24.8%, respectively). While European countries are stepping up their efforts with measures to curb the spread of coronavirus, PMI indices have shown deteriorating business activity. More specifically, the Markit Manufacturing PMI fell to 44.5 points in March, falling to a low of 7.5 years, while the Markit Composite PMI fell to 29.7 and experienced the biggest monthly drop in its history. The data shows that the eurozone economy is already shrinking at an annual rate of about 10%. Unemployment fell to 7.3% in February, the month before the implementation of the restrictive measures by the Union members, reaching its lowest level since March '08. As lockdowns are prolonged across the continent, the main discussion revolves around whether a rescue fund coupled with joint-debt issuance or the already established budget mechanisms of EU are the answer to this crisis. Germany's MoF suggests that ESM can aid countries with ad hoc, loosened restrictions that wouldn't be accompanied with the usual stigma. In addition, the ECB is urging EU banks to suspend share buybacks and distribution of dividends during the COVID-19 crisis at least until October. European indices closed slightly in red, affected by the state of the pandemic and developments in US (DAX30 -1.11%, CAC40 -4.53% and FTSE100 -1.72%).

US Markets & Economy

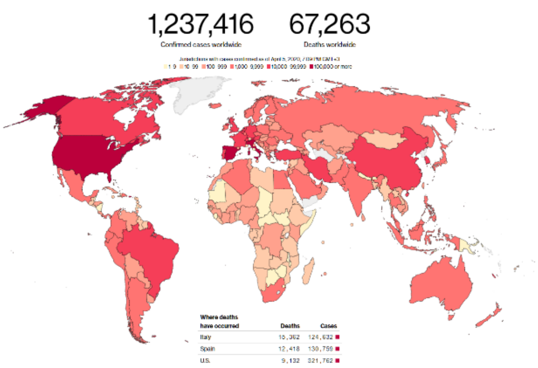
One of the worst quarters ends while two critical weeks begin amid Easter

Dow Jones had its worst quarterly decline since 4Q'87 and the worst 1Q in its history (-23.2%), while S&P500 fell 20%. For all three main Indices, March has been the worst month since '08 when global markets experienced the global financial crisis shock. The climate is exacerbated by the newer front of the pandemic, with more than 320,000 cases and 9,000 deaths in the US alone, alarming the POTUS Donald Trump, who forewarned for two very painful war-like weeks ahead. Oil prices recovered strongly, supporting investors' psychology, in the wake of Donald Trump's statements that Russia and Saudi Arabia can overcome their differences and announce a record-cut in oil production. Markets were also affected both by the number of Jobless Claims jumping to a new high for a second week in a row, exceeding 6.6 million and the non-farm payrolls been reduced by 701K on Friday. As a result, the unemployment rate rose to 4.4% in March from 3.5% in February, ending its 113-months-rally and losing jobs for the first time since September 2010. Finally, US Services PMI dropped to 39.8 points, in its largest dive in history. Energy stocks outperformed their benchmarks while cruise line operators suffered significant loses and small business loans that were included in the $2.2 tn CARES Act faced delays. Lastly, mortgage lenders faced several problems as the outbreak led to a stagnation in new loans while the old ones are repaid earlier in this zero-rate environment. Consequently, mortgage rates rise as lenders struggle to service their liabilities to MBS investors (S&P500 -2.08%, Dow30 -2.7% and NASDAQ -1.72%).

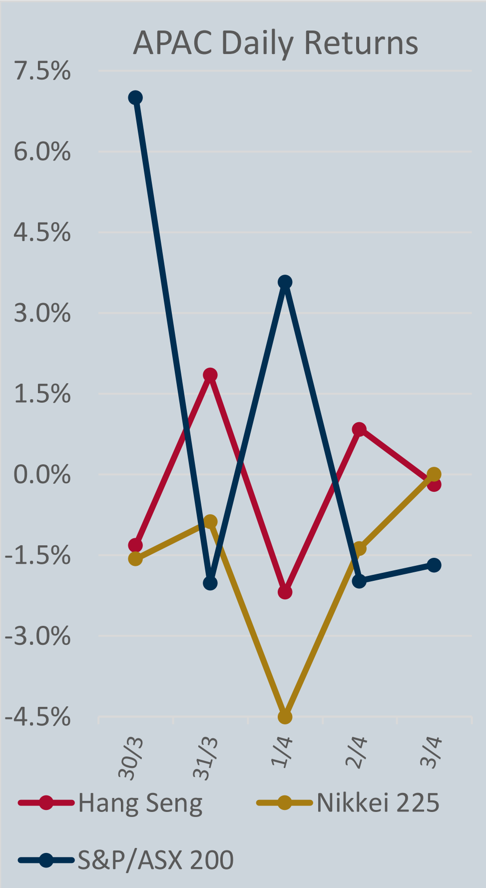




Coronavirus reported cases



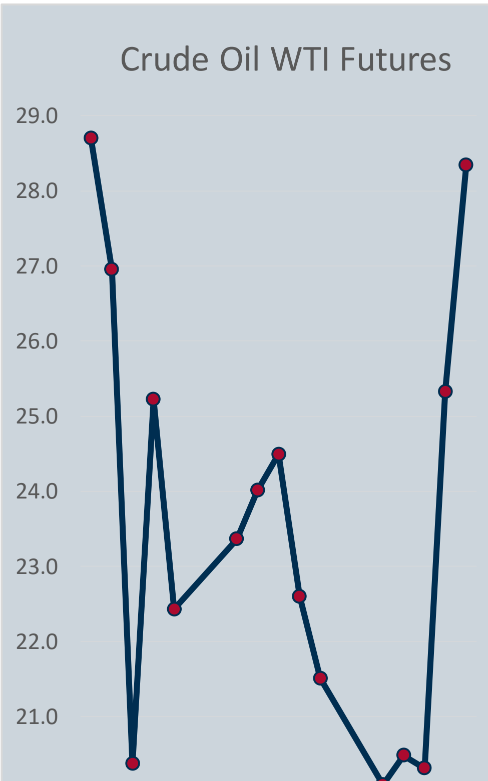
Source: Bloomberg



Asian Pacific Markets & Economy

Japan attempts to contain losses while China appears back on business

As 2Q'20 commences, Asian economies try to find their footing in growth phases as quick as possible. This past week, BoJ released its quarterly Tankan Index, which showed a decline in sentiment, standing in its lowest since 2013, while analysts estimate a further decrease due to the unfolding of the pandemic outcomes. Tuesday, marked the tail end of the Japanese Fiscal Year, reading losses up to ¥1.3 tn ($12 bn), with as much as 65 large companies lowering their profit estimations for the next year after the blows from the Sino-American trade war and the novel coronavirus outbreak. Closing last week's economic data, unemployment rate remained at 2.4%, while retail sales, industrial production and shipments all increased in February. Turning the scope to China, the PBoC decided to reinforce its easing by cutting rates on reverse repos and required reserves ratios (RRR) for commercial banks in order to give incentive for more lending. World Bank's upgraded its GDP growth estimations to 0-2.3% in contrast to the previous estimation of 5.9% for this year. Businesses reopen as quarantine measures ease, driving estimations higher as the March PMI bounces back to 50.1 from 40.3 with 98.6% of the industrial firms appearing to resume their operations. Investors' optimism around China is apparent as fund inflows hit a 5-year peak last month (Shanghai Composite Index -0.30%, Nikkei225 -8.09%, KOSPI -0.45%, Hang Seng -1.06%).



Source: Bloomberg

Commodities

Expected production cuts result in surging oil prices after historic lows

The previous week managed to lift oil from 18-year historic lows below $20 per barrel (WTI). The negative Crude Oil Inventories data (13.834M actual vs 3.997M forecast) on Wednesday could not push the prices even lower. First positive sign were Trump's claims that the current situation benefits neither Saudi Arabia nor Russia, following by his tweet on Thursday that he eventually brokered a deal between Russia and Saudi Arabia on cutting production by 10 million barrels or even 15 million, without specifying if that number is per day. As global demand sits around 100m barrels/day and forecasts estimate that this figure is slashed by a quarter by the recent pandemic, it remains to be seen how a 10 m cut will affect this 25-30 m hole and the excess demand for oil storage. OPEC+ were about to hold an urgent teleconference on Monday, discussing about the new production cut deal, however it was postponed for Wednsday or Thursday. These evenets resulted in a 34.68% rise in WTI prices while Brent rose 49.71% on a weekly basis. Natural Gas closed positive the week with a 0.98% rise after a few ups and downs in between. The main motivating power was the fact that China slowly returns to reality after the excessive lockdown and is the only country importing energy commodities while everyone else is selling. The low prices on U.S. energy utilities help China to abide by the Phase-1 trade deal signed earlier this year with the US. As far as gold is concerned, the yellow metal reinstated part of its safe-haven characterization as it gained 1.46% after negative U.S. Jobs data and another overall turbulent week.

Stocks: Fundamental & Technical Analysis

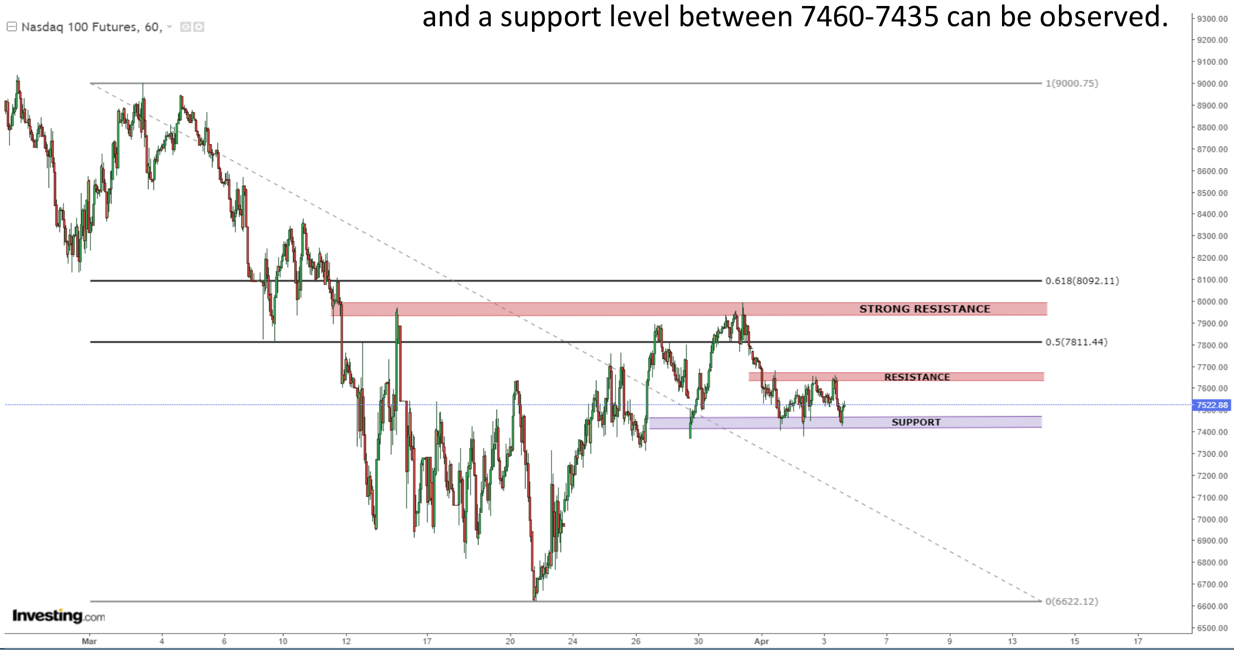
Dow Jones Movers	Weekly Change
Top Gainers	
Chevron Corp. (CVX)	9.2%
Walmart Inc. (WMT)	9.0%
Johnson&Johnson (JNJ)	8.9%
Pfizer Inc. (PFE)	8.9%
Caterpillar Inc (CAT)	8.8%
Top Losers	
Boeing Co. (BA)	-23.1%
American Express Co. (AXP)	-17.1%
United Technologies Corp. (UTX)	-12.9%
JPMorgan Chase & Co. (JPM)	-7.8%
Walgreens Boots Alliance Inc. (WBA)	-7.5%

S&P 500 Movers	Weekly Change
Top Gainers	
Devon Energy Corp. (DVN)	33.2%
EQT Corp. (EQT)	27.1%
Halliburton Co (HAL)	19.1%
Incyte Corp. (INCY)	14.0%
Concho Resources Inc. (CXO)	13.5%
Top Losers	
Arconic Corp. (ARNC)	-51.7%
Carnival Corp. (CCL)	-41.1%
Kohls Corp. (KSS)	-34.4%
American Airlines Group Inc. (AAL)	-33.1%
Norwegian Cruise Line Holdings Ltd (NCLH)	-29.6%

Luckin Coffee Inc (NASDAQ:LK): Luckin Coffee is a Chinese-based beverage company established in 2017, which aims to become a leader in the coffee industry. At the beginning of the year, Luckin Coffee zoomed past Starbucks as far as stores in China are concerned and claimed the name "Starbucks of China". On Thursday, the company admitted using fraud accounting practices and overstating its 2019 revenues. Since then the stock plummeted 80% from $26.20 to $5.34 on afterhours trading on Friday. Luckin Coffee is not expected to close down and disappear, since the actual stores do exist and their core business remains in China.

Whiting Petroleum Corporation (WLL:NYSE): The first results from the oil price war were evident on the American oil industry and especially in the shale drillers, as Whiting, a major shale producer, filed for Chapter-11 bankruptcy protection on Wednesday. The costly shale drilling in combination with the historic lows on crude oil prices and the debt obligations burdened US oil drillers. American producers took hefty amounts both in loans and bonds in order to step up procedures and make the United States the leader as far as oil production is concerned. The company's stock fell from $0.69 to $0.34 loosing 50% of its value last week. The downtrend was stopped as Trump claimed that a deal for the oil price war has been reached between the big players.

NASDAQ100 Futures: The following one-hour candlestick chart since March shows that the price on March 2nd reached the psychological level of 9000 points. Monetary actions from Fed didn't fully reassured that the impact of COVID-19 would be confined. Thus, by March 22nd, the index had lost 26% of its value, reaching 6622.12 points. Following expectations that Congress will act along the Fed to boost US economy with a $2 tn stimulus package, led the markets to a correction. Technically, that correction has entered between 50% and 61.8% levels of the Fibonacci Retracement. Momentarily there is a price consolidation, which means that the price comes to a flat period. At the moment, a reaction from the market can be expected in order to pave the path that it will follow. A resistance level between 7630-7650, a stronger-one between 7935-7950 and a support level between 7460-7435 can be observed.



APRIL 2020	What to look for this week		
MON 6	TUE 7	WED 8	THU 9
▪ UK Construction Mar PMI (forecast 44.0) ▪ Russian CPI Mar YoY (forecast: 2.7% vs previous 2.3%)	▪ Australia: RBA Decision (forecast: unchanged at 0.25%) ▪ Eurogroup Meeting ▪ US JOLTs Feb Job Openings (forecast 6.5 m)	▪ US FOMC Meeting Minutes ▪ US Crude Oil Inventories	▪ECB Publishes Account of Monetary Policy Meeting ▪ UK GDP YoY (forecast: 1.1%) ▪ UK Manufacturing Production Feb MoM (forecast: 0.2%) ▪ US Initial Jobless Claims (forecast: 5 m) ▪ US PPI Mar MoM (forecast: -0.3%)
FRI 10	SAT 11	SUN 12	
▪ Catholic Easter: Holiday in US, CA, UK, DE, IT, FR, CH, SA, HK, etc.			

What to look for this week

In spite of previous President Trump's statements, the upcoming Easter holidays seem to restrict the world's biggest economy businesses in a crucial moment as the pandemic's consequences have yet to be quantified entirely given that the unprecedented global shock does not have a due date. In the European territory, a discussion in the upcoming Euro Working Group is expected about whether a joint-rescue scheme will take place or EU mechanism remain as of today along with questions about the Union's coherence. Moving East, to the currently turbulent oil market, OPEC+ members including Russia, will confer in the middle of this week and Trump's allegations could be confirmed. The UK markets have seen collapsing share prices, investors fleeing along with a weakened currency, halting dividends and buybacks, and now in what could be another threat, the UK Prime Minister was admitted to the hospital this Sunday after already being tested positive to COVID-19 and self-isolating. In the other side of Atlantic, the massive sell-off, on the one hand, provided fertile conditions for yield-hungry investors and on the other hand, investors looking for safe-haven assets. Consequently, the spread between S&P 500's dividend yield and the US Treasury yields have hit 5-decade highs. These dividend yields, although appealing, remain uncertain if dividends were not to be distributed.

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