
Weekly Market Summary

May 8th, 2020

US Unemployment Off The Charts, Turkish Lira Heading Into A Perfect Storm, and Oil Holds Gains.
Abdulrahman Al-Amer - Senior Sales Dealer

Latest Update on Coronavirus: Confirmed cases last at 4.097 million with 280,144 deaths. The COVID-19 is now affecting 212 countries and territories around the world. The number of people around the world dying from Covid-19 each week has begun to ease more significantly. The weekly rolling average, which provides a clearer picture of the underlying trend by smoothing fluctuations, has fallen to a 34-day trough of 5,132. That represents a sharp decline from the peak of 6,783 for the week ending April 18. The FDA granted emergency approval to a new coronavirus diagnostic tool in a move that broadens the array of tests available to detect coronavirus infections and which could help authorities to lift lockdowns. Kuwait will impose a full curfew from 4pm today until the end of the month and the US on Friday accused China and Russia of spreading propaganda over the pandemic.

As lockdown choked world's economies, the grim picture of the US labour market came at no surprise. April numbers smashed post-World War II era records! The Department of Labor announced Friday that the US unemployment rate rose to 14.7% from just 4.4% in March. The "real" unemployment rate, which includes workers not looking for jobs and the underemployed, surged to 22.8%. Moreover, 20.5 million workers were slashed from non-farm payrolls in April. The unprecedented jump in joblessness came largely due to part-time layoffs. Those who said they lost their jobs temporarily surged tenfold to 18.1 million, while those reporting permanent losses more than tripled, from 544,000 to 2 million. Counter-intuitively the report showed that wages climbed, as lower-paid workers such as restaurant employees were among those most affected by lay-offs. Average hourly earnings were up 7.9 per cent from a year ago, compared with expectations for a 3.3 per cent rise.

How did markets react?

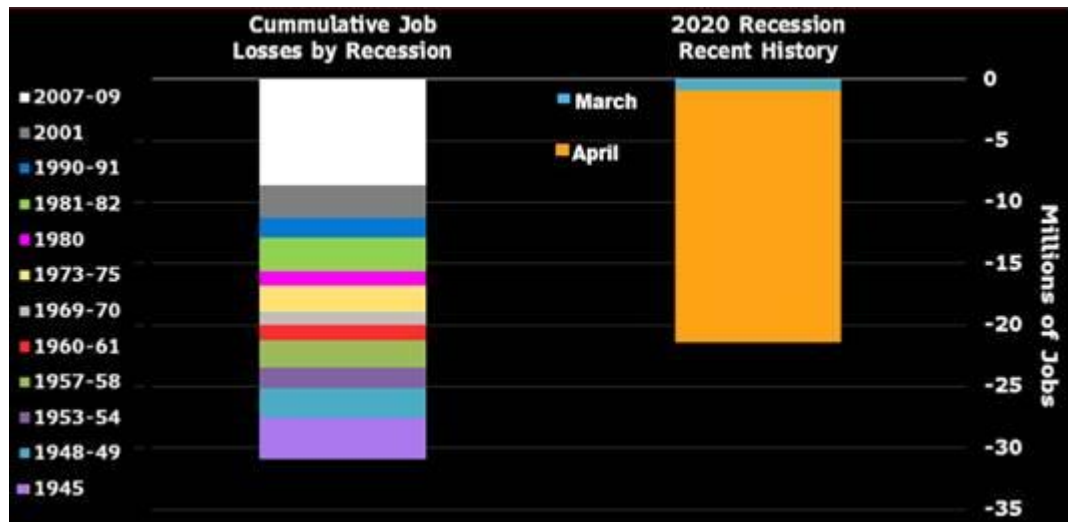
Long-dated Treasuries sold off, with the benchmark 10-year bond yield rising roughly 0.03 percentage points to 0.66 per cent. The more policy-sensitive two-year note gained slightly, sending its yield lower to 0.13 per cent. US equities were slightly higher after the figures came in slightly below expectations, with the S&P 500 opening up more than 1 per cent. The dollar index was unchanged.

Despite the dire jobs lawmakers in Congress are clashing with the White House and Republicans over a new multibillion-dollar stimulus package for the US economy. Democratic party leaders on Capitol Hill are calling for urgent fiscal measures to help struggling households, and state and local governments. Republicans have, however, been much more wary of an additional round of stimulus. They say they want to assess the effect of the money

that has already been injected into the US economy, along with the impact of report, Democratic lifting restrictions on certain kinds of economic activity in a number of states before committing to any new spending. Trump said on Friday he’s in “no rush” to negotiate another financial rescue bill.

Whilst the US is fighting a battle against rising unemployment, Turkey is digging in for a currency war. Last week, the Turkish lira slid towards an all-time low against the US dollar, breaking the 7.00 level, a level last seen in the country’s 2018 currency crisis. The Turkish Lira fell as the country’s finance minister used a rare call with foreign investors to insist that the country would rapidly recover from the economic effects of coronavirus. The call came a day after Turkey’s banking regulator moved to curb currency speculation by making it harder for foreign investors to obtain lira. The country’s foreign currency reserves have plummeted since the start of 2020. Gross reserves, including gold, have fallen more than \$17bn this year to under \$88bn. The consensus among economists and investors is that the drain in reserves is the result of the central bank using its war chest to fund intervention in the supposedly free-floating currency. Despite all expectations of the economy going into a recession, Mr Albayrak, who is the son-in-law of president Recep Tayyip Erdogan, insisted that Turkey’s gross domestic product would increase in 2020!

Looking at oil, prices rallied throughout last week, with Brent crude breaking the resistant level of \$30 per barrel amid signs that oil demand was improving, after countries across continents eased the lockdowns put in place to curb the Coronavirus pandemic. Prices also jumped after Saudi Arabia raised prices for refiners globally. State-run Saudi Aramco, which earlier this year initiated a price war by offering massive discounts on crude, has raised prices on all the grades for June. The move comes as the kingdom and its OPEC+ partners embark on sharp production cuts in a bid to rebalance a glutted market. The price increase suggests Saudi Arabia will not just cut their production as part of the OPEC deal, but also reduce their crude exports by making them more expensive.



Source: Bloomberg



Disclaimer

It is important that you only use this report if you are the intended recipient of this report and you have satisfied yourself that you are eligible to receive such information. This report is provided to you because you are one of our esteemed customers and have previously shown interest in receiving the type of information contained in this report.

The Treasury and Investment Management department of Gulf International Bank B.S.C. ("GIB") have compiled the information in this report. GIB is incorporated in the Kingdom of Bahrain and is licensed by the Central Bank of Bahrain (the "CBB") as a conventional wholesale bank. GIB's head office is located at Al-Dowali Building, P.O. Box 1017, 3 Palace Avenue, Manama, Kingdom of Bahrain.

This report is intended for the accredited investors, as defined in the Investment Business Code of Conduct published by the CBB. This information has not been reviewed by the CBB or any other regulatory authority in any jurisdiction and neither CBB nor any other regulatory takes any responsibility for the correctness or accuracy for the information contained in this report.

The information contained herein is not directed at or intended for use by any person resident or located in any jurisdiction where (1) the distribution of such information is contrary to the laws of such jurisdiction or (2) such distribution is prohibited without obtaining the necessary licenses or authorizations by the relevant branch, subsidiary or affiliate office of GIB and such licenses or authorizations have not been obtained. The recipient of such information is responsible for ensuring that this information has not been received by it in breach of laws and regulations of any jurisdiction.

This report contains publicly available information only, which has only been compiled by GIB. The information provided herein is on "as is" and "as available" basis and without representation or warranty of any kind. GIB hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall GIB or its subsidiaries, affiliates, shareholders or their directors, officers, employees, independent contractors, agents and representatives (collectively, "GIB Representatives") be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting there from, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of information or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of GIB or any GIB Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. The information here is, and must be construed solely as, compilation of information (unless expressly stated otherwise) and not statements of fact as to credit worthiness or recommendations or opinions of GIB.

This report does not provide individually tailored investment advice. Any materials contained herein have no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. The document is provided for information purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. GIB makes every effort to use reliable, comprehensive information, but we do not represent that it is accurate or complete. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the materials, nor are they a complete statement of the securities, markets or developments referred to herein. Recipients should not regard the materials as a substitute for the exercise of their own judgement. Any opinions are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GIB as a result of using different assumptions and criteria. GIB is not under any obligation to update or keep current the information contained herein.

The value of, and income from, your investments may vary because of changes in interest rates or foreign exchange rates, securities prices or market indexes, operational or financial conditions of companies or other factors. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realised.

The information contained in this report is just for informational purposes. Information does not constitute a solicitation, an offer, or a recommendation to buy or sell any investment instruments, to effect any transactions, or to conclude any legal act of any kind whatsoever. GIB does not intend to provide investment, legal or tax advice through this report and does not represent that any securities or services discussed are suitable for any investor. When making a decision about your investments and business, you should seek the advice of professional advisors.

The report may contain statements that constitute "forward looking statements". While these forward looking statements may represent GIB's judgment and future expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from GIB's expectations. GIB is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise. The historical information is provided for information purposes only. Performance figures are calculated before tax (if any) and after deducting ongoing fees and expenses. The performance figures are historical and past performance is not necessarily an indication of future results. Certain amounts (including %ages) included in this document may have been subject to rounding adjustments. Accordingly, figures may not be an exact arithmetic aggregation of the figures to which they relate. The values and forecasts shown represent our current indicative valuations and forecasts of the relevant transactions, currencies, interest rates, commodities or securities as at the date shown. Any value or forecast shown herein is not an indicative price quotation. We expressly disclaim any responsibility for the accuracy of the values or forecasts shown, any errors or omissions in the report

With the exception of information regarding GIB and save as otherwise specifically indicated, the information set out in this report is based on public information. We have, where possible, indicated the primary source of information. We strongly recommend the recipients consult the primary source of information. Facts and views in this report have not been reviewed by, and may not reflect information known to, professionals in other GIB business areas.

This Report, and the information contained herein (save to the extent that such information is publicly available) is confidential and may not be disclosed by you to any other person outside of your organization without our consent.

GIB retains all right, title and interest (including copyrights, trademarks, patents, as well as any other intellectual property or other right) in all information and content (including all text, data, graphics and logos) in this document. All recipients must not, without limitation, modify, copy, transmit, distribute, display, perform, reproduce, publish, license, frame, create derivative works from, transfer or otherwise use in any other way for commercial or public purposes in whole or in part any information, text, graphics, images from this document (excluding publicly available information) without the prior written permission of GIB.