Weekly Market Summary

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When One Loses Trust in World's Leaders & Faith in Financial Markets!!

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Latest Update on Coronavirus: Confirmed cases last at 4.545 million, with the death toll from the pandemic exceeding the 300,000 threshold (303,850 deaths last). The COVID-19 is now affecting 213 countries and territories around the world. Germany sees further declines in infections as the country readies to reopen borders, whilst officials in Tokyo make final plans to reopen the economy as cases fall rapidly there. South Korea and China's northeast are back on the radar as a rising number of cases fuels alarm among officials over a second wave in Asia. According to the Asian Development Bank (ADB), the cost of the coronavirus pandemic could reach as much as $8.8 trillion, or almost 10% of global gross domestic product, depending on the length of the outbreak and the strength of government responses (though impact could be limited to $4.1 trillion for a shorter containment period and additional policy measures by worldwide governments/central bankers! Take your guess 😊)

A recurring theme / topic of discussion in my previous weekly updates has been the importance of trust in society and its leaders. As previously noted, if there is one key value to maintain in life, Trust it is! After all, relationships, arguments and even wars are fought over the aspect of trust; And if your word is not your bond then you have very little else to bargain with! Additionally, trust and respect become of more fundamental importance when a person is in a position of authority and dealing with people who are vulnerable and disadvantaged; Individuals need to trust their leaders and the decisions they make, and have faith that their future is being steered along the right path. Lately, however, worldwide politicians at the highest level appear to have been engaged in a competition to see who can utter the most defiantly ill-informed, aggressively ignorant statements about precisely the issues that governments have traditionally regarded as life-and-death matters. Somehow, this bold inexperience - the shameless display of the failure to understand even the basic meanings of significant words – seems to be playing a major role in the latest markets' movements and bout of volatility and could soon help trigger or exacerbate a serious financial crisis.

When Donald Trump was first elected U.S. president in late 2016, foreign observers hoped that he would moderate his more outrageous campaign positions as the practicalities of governing would necessitate him to adopt more conventional stances. However, to the contrary, Trump has been remarkably methodical in his efforts to destroy the liberal international order: His tearing of trans-Atlantic relations has been on full display in recent years, from his trade war threats against U.S. allies to his of NATO and constant on the European Union. Effectively, he has torn at the roots of Western solidarity that his predecessors carefully cultivated over seven decades. In turn, stunned U.S. allies have slowly adapted to their new normal by taking steps previously unimaginable, hedging their bets in dawning recognition that the America of old may never return, regardless of who succeeds Trump (that is if "The Donald" doesn't get re-elected in few months!)

With consumers' confidence in world's leaders waning and businesses' dissatisfaction with government's ability to deal with the current economic stalemate rising, we provide below a coverage of the main stories that have shaped markets this week:

- **Will Trump talk soon to Xi to Defuse Rising Tensions? Nah!!** US president Trump said he doesn't want to talk to Chinese President Xi Jinping right now and has even considered eliminating the largest trading relationship in the world, with tensions high over the coronavirus outbreak. Asked in a Fox Business Network interview whether he had spoken to Xi recently, Trump said that they have "a very good relationship" (hamdulla!), but "right now, I don't want to speak to him. I don't want to speak to him". The US president also added that "we could cut off the whole relationship. If we did what would happen? You'd save $500 billion," an inaccurate reference to the volume of trade between the two countries (and your equity market would tank Mr. President!!). Trump has sought to blame China for the coronavirus pandemic as public confidence in his handling of the US outbreak has sunk.

- **IMF Says Economic Outlook Worsened Since its April Forecast:** The International Monetary Fund (IMF) recently said that the global economic outlook has worsened since its latest forecast four weeks ago and predicted the world can expect more waves of financial market turbulence. In its April 14th World Economic Outlook, the IMF said that global GDP will decline 3% this year based on the assumption that the pandemic fades in the second half of 2020 and containment measures are wound down. A lengthier pandemic would wipe an additional 3% off GDP. Kenneth Rogoff, a professor and ex-IMF chief economist, has lately suggested that some countries will face a solvency crisis and will need debt write-downs rather than just postponement of payments.

- **Oil Soars as OPEC Cuts and Demand Increases:** Oil prices surged to their highest levels in more than five weeks as signs emerge that OPEC and its allies are scaling back crude shipments at a time global consumption is slowly recovering. West Texas Intermediate (WTI) for June delivery climbed to $28.75 this morning and Brent for July settlement traded to a high of $32.50 (last at $31.50). Investors remain focused on the demand trajectory amid concerns that a resurgence of coronavirus cases could derail an economic rebound. Whilst the IEA joined Saudi Arabia and Russia in seeing signs of consumption improving, the market is still having to recover from an unprecedented April rout and persisting excess inventories.

- **US Fed Powell Disregards Negative Rates, Warns of Broad Virus Danger:** With investors starting to bet the US Federal Reserve might follow other central banks in taking rates into negative territory to spur spending (negative fed funds rate futures priced for late 2020/early 2021), US Federal Reserve Chairman Jerome Powell used this week's virtual event hosted by the Peterson Institute for international Economics to stress that such a move is not being considered. Additionally, the Fed Chair outlined the worrying scenario posed by mass bankruptcies and unemployment whilst asserting that policy makers may have to do more to prevent this from happening. "Additional fiscal support could be costly, but worth it if it helps avoid long-term economic damage and leaves us with a stronger recovery"

- **Saudi Arabia Triples VAT, Cuts State Allowance Amid Crisis:** Saudi Arabia announced a number of austerity measures to cope with the impact of the coronavirus pandemic and an oil-price rout, tripling its value-added tax (from 5% to 15%) and cutting a 1000-riyal ($267) monthly cost-of-living allowance for government workers. The steps taken to shore up revenue and rationalize spending are valued at about 100 billion riyals ($26.6 billion) in total, according to the official Saudi Press Agency. The moves follow a crash in Brent crude prices by more than 50% in March, contributing to a record $27 billion monthly drop in the Saudi central bank's net foreign assets. Capital spending will also be impacted as the government delays or trims various projects.

- **And the Big Winner is Moderna!!** In late April, CNBC's Jim Cramer introduced his "Cramer Covid-19 broad index", mostly composed of health, technology and safety companies – making a case for individual stock picking, in lieu of index fund investing - given the varying impact of the coronavirus pandemic on vast swaths of industries. One of those shortlisted stocks was Moderna (an American biotechnology company based in Cambridge, Massachusetts that is actively working on a potential vaccines against COVID-19, using the Messenger RNA or mRNA medicine to instruct patients' cells), that has rallied some 250% since mid-February 2020."The whole world is relying on Moderna to give us a COVID vaccine before the end of the year," Cramer noted recently. "I'm sceptical. The record for fastest vaccine development is four years and Moderna's never taken one of these to market before, but if they can do it, the stock's going to keep exploding higher" (sometimes Bill & Melinda Gates Foundation's money and Dr Fauci's endorsement can do miracle 😊).

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