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## Markets take a breather as bad economic news continues

♦ **US stock futures point at weaker open as onslaught of potentially negative economic news beckons.**

♦ **German think-tanks see worst first quarter contraction in country's postwar history.**

♦ **German exports to China plunged in February, offering a glimpse of what may happen to global trade.**

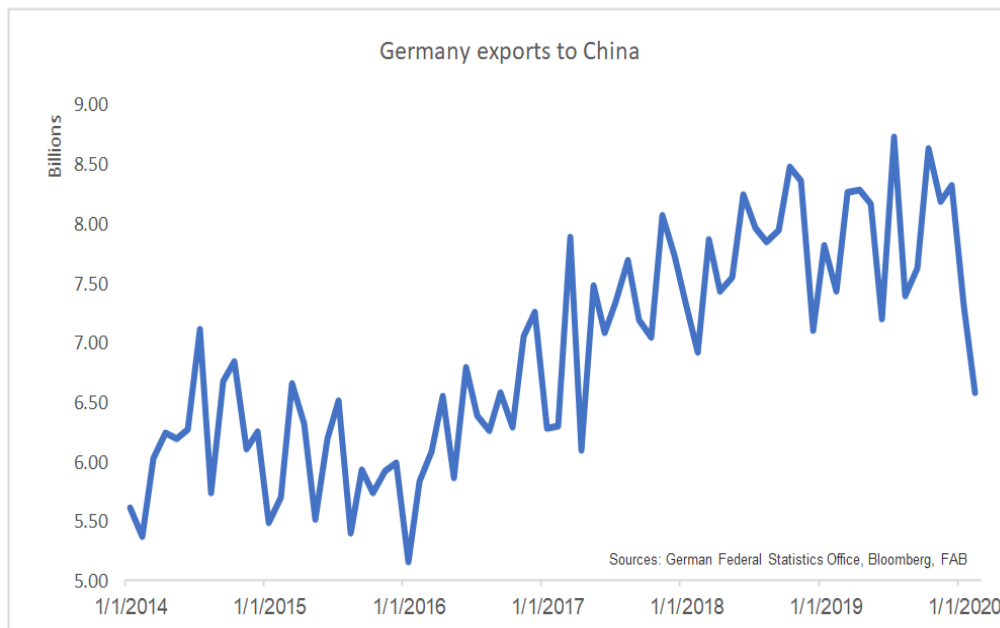
♦ **Growth of emerging market virus cases accelerates and New York and Europe see new rise in death toll.**

♦ **FAB AAC remains underweight in equities and overweight in gold.**

Stock markets are starting to show signs of fatigue after staging strong rallies for two of the past three trading days. US futures were pointing at a weaker open, despite a rally in some European and Asian countries.

The negative sentiment was being driven by a worsening of the number of people diagnosed with the coronavirus and those who died from it in both Europe and the US. Spain and Italy were mulling extending the lockdown for another two weeks as cases in the two countries saw the biggest rise in three days. Germany also saw the biggest rise in infections in five days.

Still, Italian Prime Minister Giuseppe Conte continued to talk about reopening some of the country's manufacturing activity by the end of the month as the economic toll of the lockdown continues to increase. That became more evident as five German think-tanks released forecasts for the country's economic



growth in the first quarter and on average these research outfits concluded that the country's GDP will contract by 9.8%, the worst quarterly performance since the end of World War II.

That came after the French Central Bank said yesterday that it expected growth in the country to also be the worst since World War II. Perhaps more concerning were the German trade numbers. The country's exports to China fell nearly 9% in February, when Germany was still operating normally but China was closed. That provides a glimpse of what investors should expect to happen to world trade.

If that were not enough, the consensus among economists is that today's initial jobless claims numbers will show that 5.5 million Americans filed for unemployment benefits in the week ended 2 April. Adding the nearly 10 million who had filed in the two previous weeks results in a staggering 15 million US jobs lost in the past month.

### German exports to China in February fell 9%, a bad omen for world trade in March

Those dire figures are all likely to be consolidated in the IMF's World Economic Outlook, due to be released next week. The Fund is likely to paint a dismal picture as countries remain closed.

To be sure, markets tend to discount the future and not the past. Hence, as soon as there is clarity on when the current closures are coming to an end they are likely to start calculating how long it will take for the world economy to mend itself, especially in light of the record amounts of stimulus being poured into it.

Until that clarity comes, though, it is perilous to call a bottom or to try and tell whether a jump in stock markets is a bear market bounce or a trend reversal.

# Investment Strategy Update

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