

For inquiries related to this article, please contact:

Alain.Marckus@bankfab.com

Christofer.Langner@bankfab.com

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US sees another week of near-record job losses

◆ **Almost 5.3 million Americans filed for unemployment benefits in the week ended 11 April, adding up to 22 million jobs lost in the past month.**

◆ **Stocks in Europe rally as ECB pledges to do “everything necessary” to help economy and considers opening more euro swap lines with other countries.**

◆ **UK and US signal that number of new coronavirus cases may be peaking as Spain sees tally increase.**

◆ **Still, risk asset rally seems to lose steam and bonds signal more pain as investors take stock of the economic impact of the global lockdown.**

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

Economists seemed to be roughly right about their predictions for jobless claims as the consensus estimate for the number was for 5.5 million Americans to have requested welfare benefits and the actual number came in at 5.25 million.

That was hardly reason to celebrate as the addition of the filings for the week of April 11 together with the record figures for the three previous weeks puts the total number of Americans who have lost their jobs in the past month to 22 million, more than all the jobs created in the past decade and roughly 13.5% of the active labor force in the US. Considering the 4.4% rate as of 13 March, the implied unemployment in the US is now close to 18%, the highest since the end of World War II. Such a level of unemployment is in line with an economic contraction of close to 25%, according to FAB calculations.



Stock investors worldwide seemed to be looking past the economic data and trying to consider what a recovery will look like, especially given the additional stimulus being injected into the system. US futures were positive as of the time of writing and all major European indices ended in positive territory.

Comments by Christine Lagarde, the Governor of the European Central Bank, that the authority would do “everything necessary” to support the economy helped spur the optimism. She also said that the ECB was considering additional swap lines to ensure liquidity as volatility in the common currency remains high.

Despite those supportive comments, some market signals are pointing at a level of fatigue in the recent stock rally. The S&P 500 implied volatility VIX index was rising and back above 41.00 after trading as low as 37.3 on Tuesday. The index remains much below the 82.7 high of 16 March.

Gold ETF holdings are at a record after their longest streak of investor inflows

The difference between short-term and long-term US Treasury yields was also dropping, a sign that investors are reassessing the economic outlook as the data keeps coming in.

Gold was also showing signs of continuing strength, trading at US\$1,724/oz, an area it had not visited since 2012. The rally came as gold miner Newmont estimated the metal could top US\$2,000 thanks to all the monetary stimulus in place to fight the economic slowdown. Gold ETF holdings, a good measure of retail demand for the metal as an investment, has reached a record, after the longest streak of inflows in the history of these funds. Investors are clearly favoring gold now.

Investment Strategy Update

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