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EU summit: Agreement on billion-euro aid package – Update from the Investment Division

Erste AM Communications



Global equities have made gains. This was due to the agreement of EU leaders on the reconstruction fund and promising results of a vaccine study.

After days of sometimes bitter debate, EU leaders agreed on a EUR 750bn package to finance aid measures. The package includes EUR 390 bn in direct grants and EUR 360 bn in loans. The grants are thus well below the EUR 500 bn initially demanded by Germany and France. In return, the "Thrifty Four" (Austria, Sweden, the Netherlands and Denmark) were able to obtain discounts on their annual EU membership contributions.

The Asian markets therefore grew overnight, for example the Japanese leading index Nikkei rose by 0.7%. The US and European markets were also clearly up yesterday. The S&P 500 and the EuroStoxx 50 closed at +0.8% and +0.7% respectively. Yields on investment grade government bonds changed little. Gold rose to 1822 USD.

What will we see in the coming weeks?

Source: Google: Mobility trends in the corona crisis

The recovery after the global lockdowns is continuing, but seems to have reached a plateau. This is indicated, for example, by mobility trends, which measure visits to places such as restaurants, cafes, shopping malls, amusement parks, museums, libraries or cinemas.

As a result of the lockdown measures, there was a significant drop in customer frequency in retail and leisure facilities in March and April. With the easing of these measures, a recovery set in from May onwards. This continued into June, but now appears to have reached a level slightly below the starting point. This lower level poses a risk for a rapid, full recovery and may be the trigger for secondary effects, which we have reported on several occasions.

We will continue to closely monitor the development of these "alternative" data in the coming weeks, as well as "classic" indicators. The latter will be in focus this week with the release of the Flash PMIs.

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