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Stock markets in the corona crisis – Update from the Investment Division

Erste AM Communications



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What has occurred since yesterday ?

The markets continue to be impacted by the tug-of-war between the economic recovery on the one hand and the rising number of new infections in the USA on the other. Since the beginning of June, (most) important market indices have been in a consolidation phase. An important exception: On Friday the Nasdaq Composite reached a new high with companies such as Apple.

The monthly economic indicators still point to a continuation of the mechanistic, erratic recovery in May and June. Monthly GDP in the UK is expected to rise by 5.5% pm in May after a 20.4% slump in the previous month. In Australia, one indicator of business sentiment in June even exceeded the pre-crisis level (NAB Business Confidence).

As expected, the survey-based indicators for the first weeks of July should show a continuation of the recovery trend. The ZEW report will be published in the morning. This month's report from the Centre for European Economic Research asks financial market experts for their assessment of the current situation and future developments. Until June, the index on the current situation has remained at a very low level, whereas expectations have already risen significantly. A distinctive improvement in the current situation is expected for July.

At the same time, the situation is worsening on the epidemiological side. Of particular concern is the increase in new infections in some US states. Accordingly, data from Google Mobility Trends already point to a decline in mobility in the southern states (Texas, Arizona, and Florida). In California, at least the rising trend has been stopped. This could also significantly dampen the extent of the economic recovery in the US in the third quarter.

Singapore is the first country to publish an estimate of its gross domestic product for the past quarter. As expected, the slump is enormous. Year-on-year, real GDP fell by 12.6%. This provides a foretaste of the GDP development in the other countries.

Similar to GDP, corporate results for the second quarter also show significant declines. Of the S&P 500 companies, 18 have already published their results. On aggregate, sales fell by 7.7% year-on-year and profits by 11%. The Consumer Services sector stands out. Here sales fell by 15% and profits by as much as 54%.

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