



AIB PRIVATE BANKING

## MONTHLY INVESTMENT MARKET REVIEW

MAY 2020

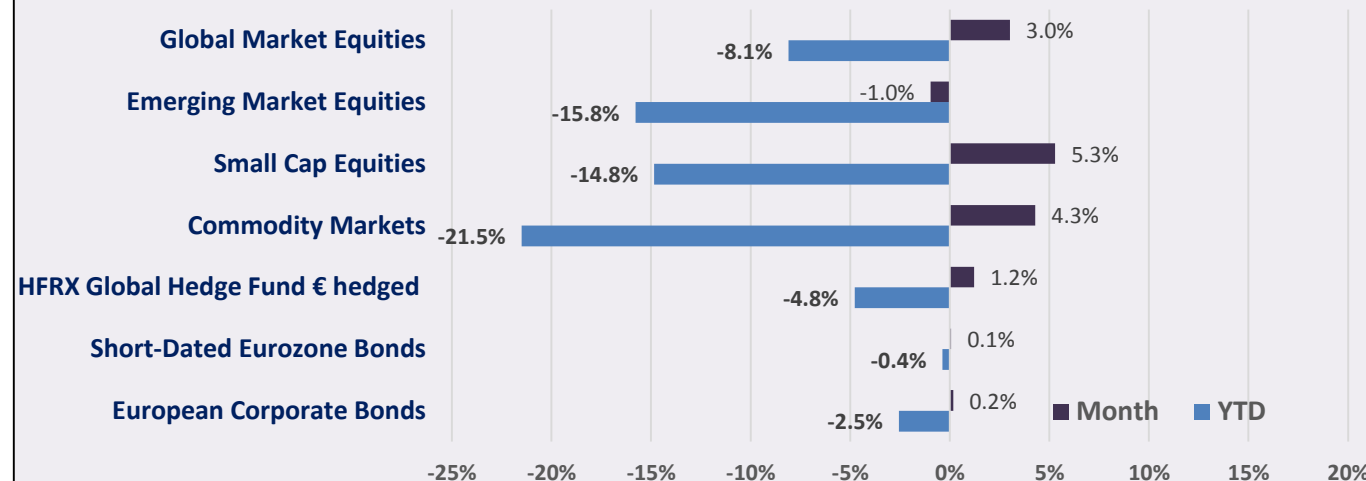
## MARKET EVENTS IN REVIEW

- Global Equity markets continued their recovery in May, rising 3% (in euro terms) with strong gains across most markets. Market optimism continued, helped by ongoing loosening of lockdown restrictions and the announcement of increased stimulus measures by some central banks. Emerging Market (EM) Equities had a more muted month (down 1%) as heightened geopolitical tensions between the US and China over Hong Kong weighed on returns.
- Eurozone sovereign bond indices were positive with peripheral markets (e.g. Italy, Spain) particularly strong whereas core markets (e.g. Germany, France) saw yields rise. Peripheral markets were helped by the announcement by the EU of a €750bn recovery fund which would focus on weaker economic countries particularly impacted by the coronavirus outbreak. Core yields however rose as investors favored risk assets.
- Commodities generally registered positive returns helped by evidence of improved demand and a more favorable supply backdrop in some cases. Oil prices staged a significant rebound, helped by improved demand and the expectations of an agreement among major producers to further cut production.

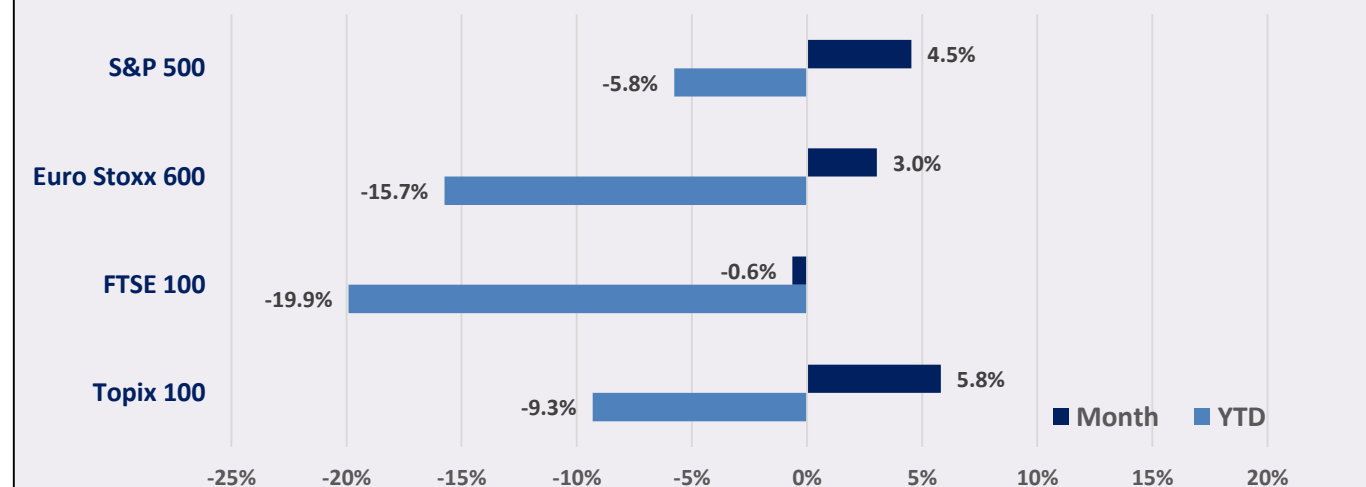
Benchmarks: Global Market Equities: MSCI World Price Index, Emerging Market Equities: MSCI Emerging Market Price Index, Small Cap Equities: MSCI World Small Cap Price Index, Commodity Markets: Bloomberg Commodity Index € Hedged, Hedge Funds: HFRX Global Hedge Fund Index € Hedged, Short-Dated Eurozone Bonds: Merrill Lynch (ML) EMU Government Bond 1-3 Year Index & European Corporate Bonds: ML European Corporate Bond Index

Please see important disclosures on final page

## Asset Class Performance



## Main Equity Indices

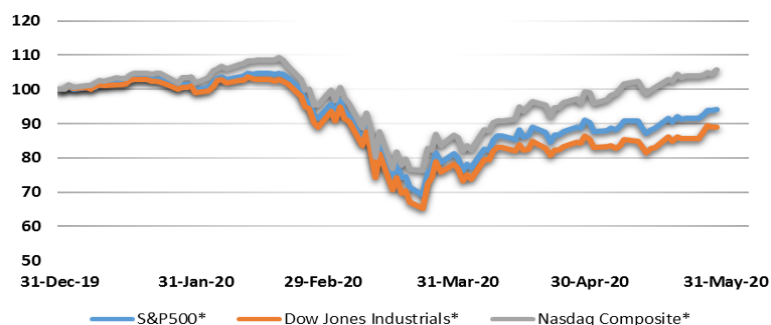


Commentary is compiled by AIB Wealth Solutions from information available via Thomson Reuters during May 2020. All Chart and Index information is sourced from Thomson Reuters and Merrill Lynch as at 31/05/2020.

## US Markets

- US equity markets continued to rise, driven by optimism for a quick economic recovery, the easing of lockdown restrictions and a pledge from the Fed of further economic stimulus, if needed. The S&P 500 rose 4.5%, while the tech-heavy Nasdaq rose 6.8%, taking its year-to-date performance into positive territory at 5.8%.
- Approximately 10m US citizens claimed for unemployment benefits in May, pushing the unemployment rate as high as 14%. Flash PMI figures indicated a slight rebound in the US economy with the Services PMI rising to 36.9 from 26.7 and the Manufacturing PMI rising to 39.8 from 36.1.
- The Fed kept interest rates unchanged at their current level and provided aid to small-medium business in the form of a \$600bn lending plan.

### US Equities Performance YTD

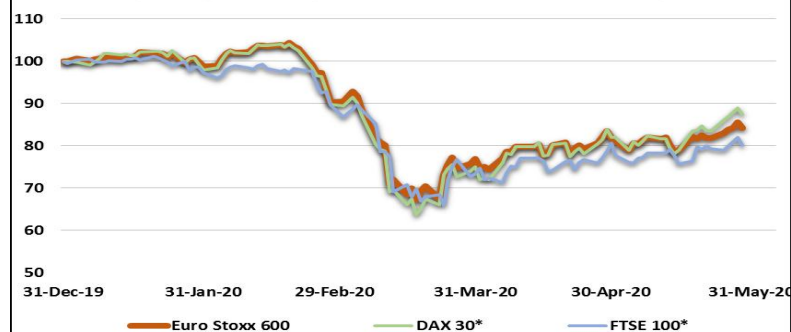


US Markets	Current	1M	YTD	1Yr
S&P 500	3044	4.53%	-5.77%	10.62%
Dow Jones Industrials	25383	4.26%	-11.06%	2.29%
Nasdaq Composite	9490	6.75%	5.76%	27.33%

## European Markets

- The Euro Stoxx 600 rose 3.0% as news that the easing of lockdown restrictions had not yet led to a significant spike in infections, as well as aid from central banks, pushed markets higher. Germany's Dax 30 rose 6.7%, outperforming most of its peers as the lifting of travel restrictions caused a surge in the transportation sector.
- Economic data indicated that business activity in the EU began to pick up, with the Flash Services PMI increasing to 28.7 from 12. The manufacturing sector PMI also recovered slightly, rising to 39.5 from 33.4. Signs of a gradual economic recovery helped the Consumer Confidence index rise to -18.8 from -22.
- The European Commission announced a €750bn recovery fund to be used to help the economic recovery post the coronavirus crisis.

### European Equities Performance YTD

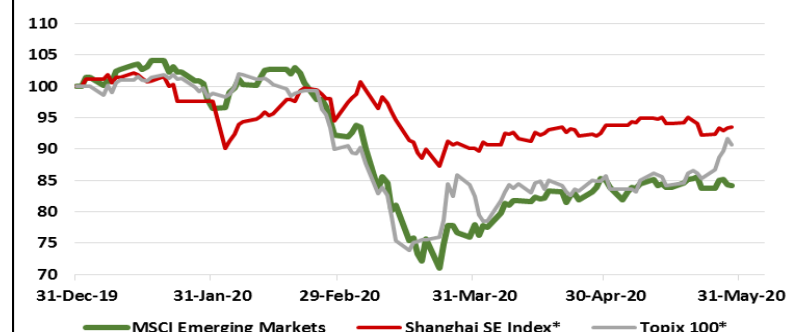


European Markets	Current	1M	YTD	1Yr
Euro Stoxx 600	350	3.04%	-15.75%	-5.07%
DAX 30, Germany	11587	6.68%	-12.55%	-1.19%
FTSE 100, UK	6077	-0.63%	-19.91%	-15.82%

## Emerging Markets & Japan

- Stock markets in most parts of Asia underperformed their western peers. Despite a fall in the number of confirmed Covid-19 cases in China & South Korea, a persistently high number of new cases in India negatively impacted returns. Overall the EM index fell 1% in the month.
- Hong Kong's Hang Seng index fell 3.7% as political unrest returned after the Chinese government announced that a national security law was to be imposed. This came amid heightened tensions between the US & China over Hong Kong and as the US accused China of mishandling the Covid-19 outbreak.
- Japan's Topix 100 returned 5.8% after the government approved a \$1.1tn fiscal stimulus package and Covid-19 cases showed a decline.

### EM & Japanese Equities Performance YTD



Emerging Markets	Current	1M	YTD	1Yr
MSCI Emerging Markets	329	-0.96%	-15.77%	-6.61%
Shanghai SE Index, China	2852	-0.27%	-6.48%	-1.60%
Topix 100, Japan	1002	5.80%	-9.31%	3.13%

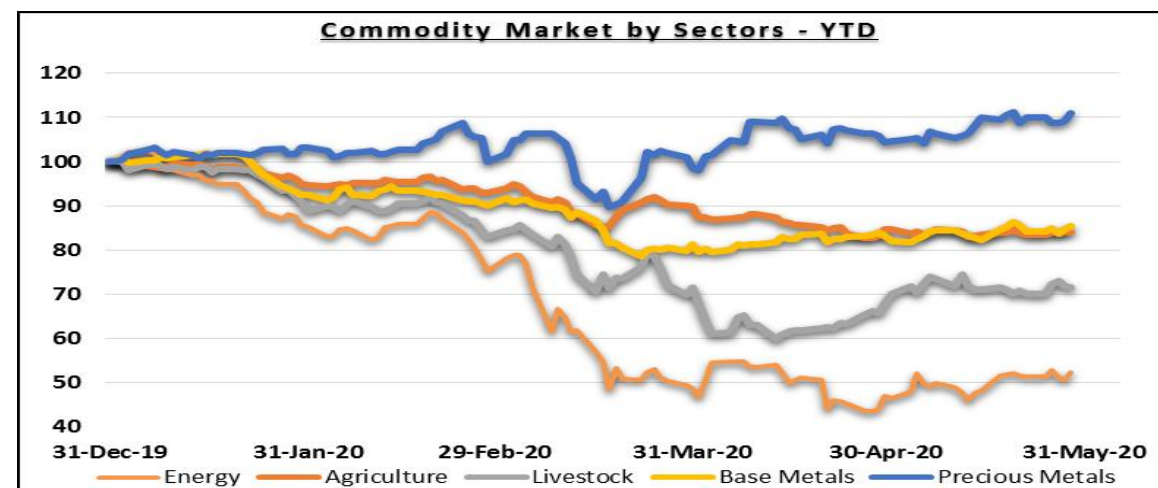
## Global Bonds

- **US**
  - Appetite for defensive assets weakened as optimism for a swift economic recovery caused investors to embrace more risk, leading to a general sell-off of US Government & Corporate debt. The 10-year US Treasury yield rose by 0.05% to 0.69% while the overall US Treasury bond index declined by 0.3%.
- **Europe**
  - Movement in bond yields across Europe was mixed. Countries that were set to benefit the most from the EU's new €750bn recovery fund, such as Italy & Spain, saw a substantial fall in their yields with their 10 year rates both falling c.0.25% in the month. In contrast, the yield on German 10 year bunds rose c.0.15% to -0.45%, as investors moved out of more secure assets and into those with higher risk.
  - The ML European corporate bond index rose 0.2%, with spreads narrowing in both the high yield and investment grade markets while the European Short Dated Government bond index was broadly flat.

Government Bond Yields (%)	1 Month	1 Year	10 Year	30 Year
<b>USA</b>	<b>0.13</b>	<b>0.17</b>	<b>0.69</b>	<b>1.40</b>
<b>Germany</b>	<b>-0.49</b>	<b>-0.58</b>	<b>-0.45</b>	<b>0.01</b>
<b>UK</b>	<b>0.09</b>	<b>0.05</b>	<b>0.18</b>	<b>0.58</b>
<b>Japan</b>	<b>-0.15</b>	<b>-0.16</b>	<b>0.01</b>	<b>0.50</b>
<b>Europe</b>				
France	-0.55	-0.52	-0.08	0.70
Italy	-0.30	0.15	1.49	2.41
Spain	-0.37	-0.37	0.57	1.34
Ireland		0.02	0.11	0.81
Netherlands	-0.57		-0.24	0.05
Switzerland	-0.75	-0.40	-0.46	-0.31

## Commodity Markets

- **Energy**
  - The Energy Sector rose 11.3% as the gap between supply & demand narrowed as major countries emerged from lockdown. WTI Crude Oil prices rose c.80% helped by the expectation of an agreement on further global production cuts.
- **Base Metals**
  - The Base Metal sector rose 2.8% as demand continued to rise in countries that were easing lockdown restrictions.
- **Precious Metals**
  - Gold rose 2.7% while Silver surged 23.5%, as the latter's relatively cheap valuation compared to Gold, combined with increased demand, resulted in heightened interest from investors.
- **Agriculture and Livestock**
  - The agriculture sector fell 0.9% while the livestock sector rose 5.3% as global demand for Live Cattle rose significantly.

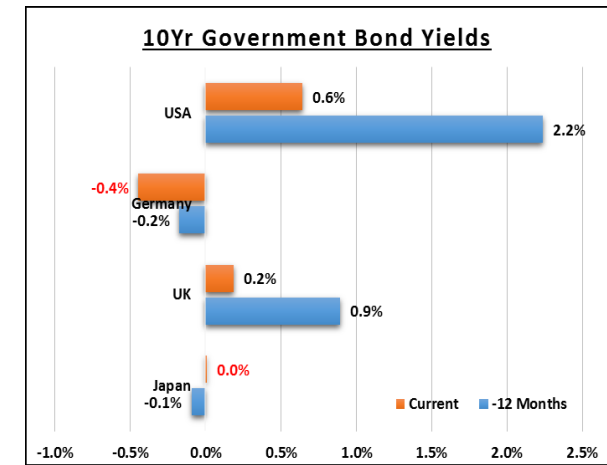
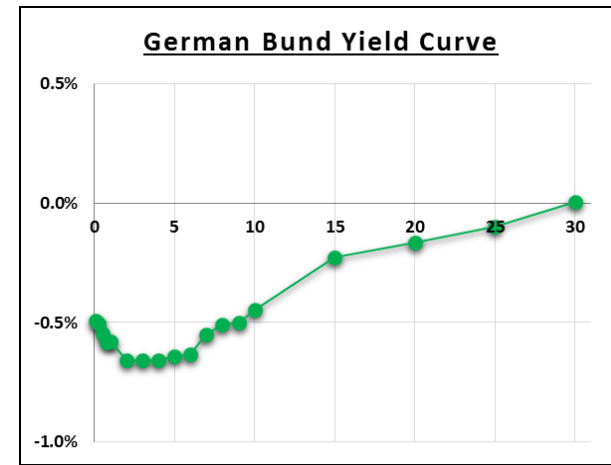
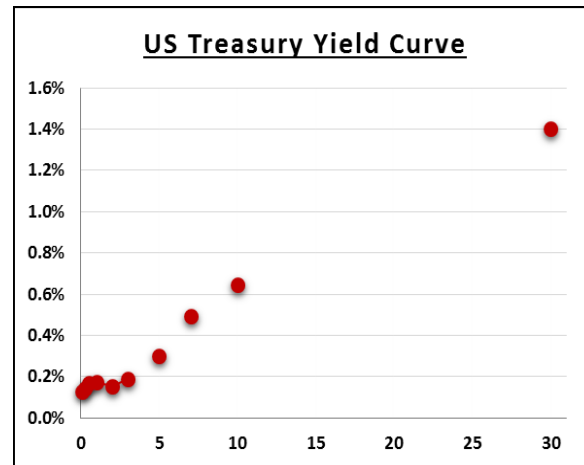
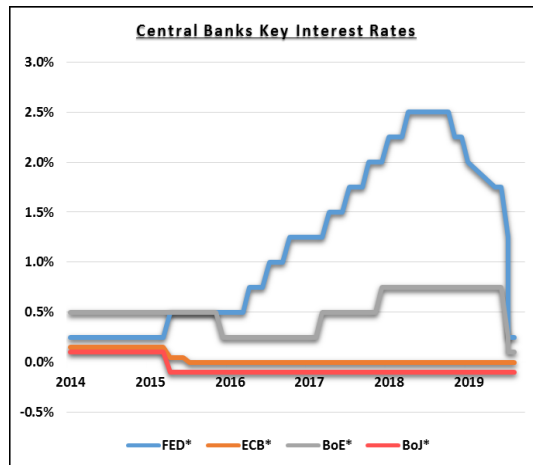
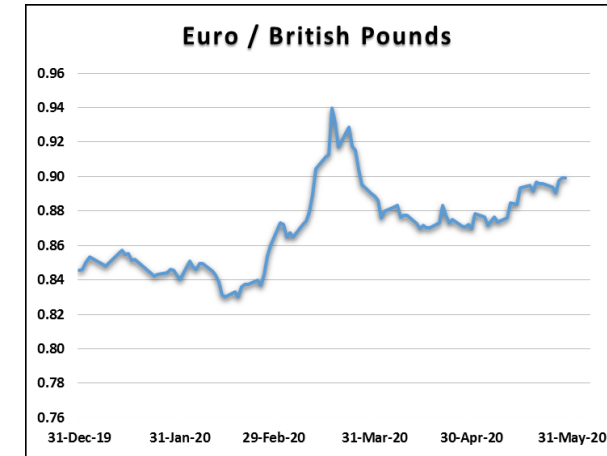
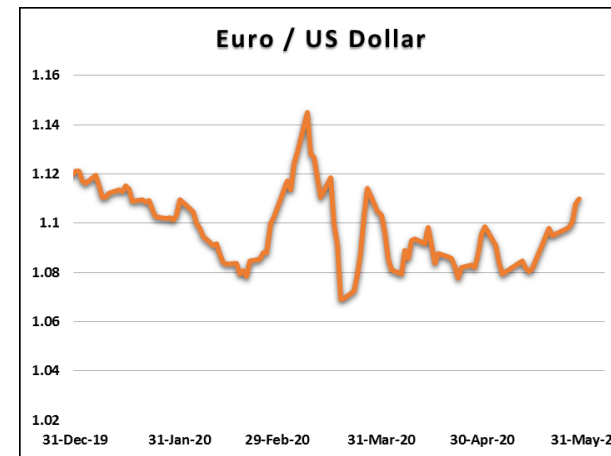
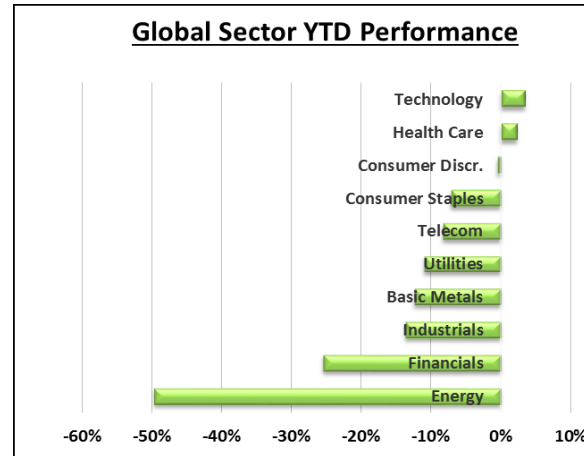
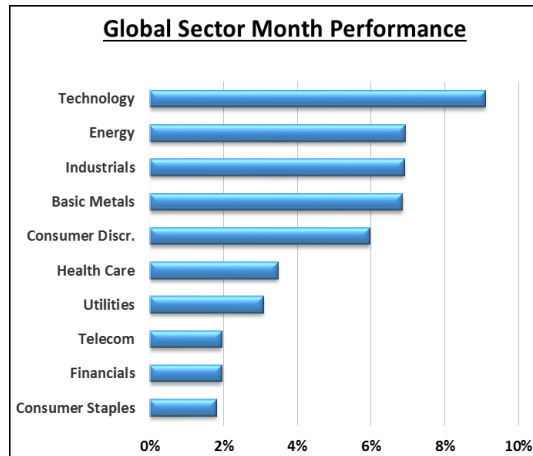


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# APPENDIX – MAY 2020



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**Abbreviations:** YTD: Year to Date; MSCI: Morgan Stanley Capital International; HFRX: Hedge Fund Research Indices; S&P: Standard & Poors; FTSE: Financial Times Stock Exchange; TOPIX: Tokyo Stock Price Index; DAX: Deutscher Aktienindex (German Stock Index); Consumer Discr.: Consumer Discretionary; Fed: The US Federal Open Market Committee; BoE: Bank of England; BoJ: Bank of Japan; OPEC: Organization of the Petroleum Exporting Countries.

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