

World Stock Markets Advance as Lockdowns Ease

LONDON: World stock markets rallied on Tuesday on moves to ease coronavirus lockdown measures, though US oil prices struggled to keep above \$10 per barrel.

Equities rebounded as several nations began to ease lockdowns, with some light at the end of the tunnel after weeks of volatility caused by the Covid-19 pandemic.

Unveiling a scaling down of restrictions from May 11, French Prime Minister Edouard Philippe notably said on Tuesday that shops could reopen on that date although people who can work from home should continue to do so.

Philippe warned that “it is a fine line that must be followed. A little too much carelessness, and the epidemic restarts. A little too much caution, and the entire country sinks.”

New York’s West Texas Intermediate oil tanked more than 21 per cent to \$10.07 after a major US exchange-traded fund started selling its short-term contracts of the commodity — albeit swiftly recovering past \$12.

Topsy-turvy

“There is a growing sense of optimism the lockdowns have helped contain Covid-19,” said David Madden, market analyst at CMC Markets UK, saying dealers saw this a reason to be “bullish.”

Chris Beauchamp, analyst at trading firm IG, said that in extraordinary times “the focus is on the slow but steady move out of tight lockdown policies across the globe.”

Joshua Mahony, senior market analyst at IG, said government support would help to mitigate global economic weakness but noted the latest US consumer confidence figures had shown the largest monthly decline on record.

Overall, equities have been buoyed in recent days by news that some of the worst-hit countries are finally seeing infection and death rates slow to levels not seen for a month.

At the same time, profit-taking and concern that some containment measures could be lifted too soon — leading to a possible second wave of infections — are tempering any surge across markets.

Those concerns were highlighted by data out of Germany on Tuesday showing a slight pick-up in transmission just as the country was beginning to open up.

Crude woes

WTI crude for June delivery suffered an initial double-digit percentage drop, having already plunged 25pc on Monday, amid storage concerns and as Covid-19 strangled demand.

Pessimism was part driven by the United States Oil Fund — a massive, oil-backed exchange-traded fund (ETF) — saying it would sell all its holdings in the contract for June delivery.

By investing in longer-dated contracts, the fund's move put pressure on the June contract, analysts said.

The move highlighted continued concerns that storage is filling up and that when futures contracts do expire, buyers may find there is little space to put the oil they have purchased.

“Oil is back in focus, with the June WTI contract plunging again as the largest US oil ETF plans to offload all of its holdings of the contract in the coming days and instead buy up longer dated contracts,” OANDA analyst Craig Erlam told *AFP*.

Demand for the commodity has collapsed owing to lockdowns and travel restrictions imposed worldwide to fight the virus.

WTI tanked below zero for the first time last week, hitting a low of minus \$40.32 per barrel on April 20 as investors paid buyers to offload it before the expiry of the May contract.

Courtesy: Dawn news

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