

BUSINESS NEWS

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Asia shares follow S&P 500 higher, oil and gold jump

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SYDNEY (Reuters) - Asian shares were led higher by S&P 500 futures on Monday and oil prices hit a five-week peak as countries' efforts to re-open their economies stirred hopes the world was nearer to emerging from recession.

FILE PHOTO: Pedestrians wearing face masks walk near an overpass with an electronic board showing stock information, following an outbreak of the coronavirus disease (COVID-19), at Lujiazui financial district in Shanghai, China March 17, 2020. REUTERS/Aly Song/File Photo

Summer weather is enticing much of the world to emerge from coronavirus lockdowns as centres of the outbreak from New York to Italy and Spain gradually lift restrictions that

have kept millions cooped up for months.

“The economies of Europe and the U.S. likely bottomed out in April and are slowly starting to come back to life,” wrote Barclays economist Christian Keller in a note.

“However, incoming data from most economies highlight the depth of the contraction, raising risks of longer-term scarring that might undermine the recovery.”

Federal Reserve Chairman Jerome Powell took a cautious line in an interview over the weekend, saying a U.S. economic recovery may stretch deep into next year and a full comeback might depend on a coronavirus vaccine.

Late Sunday, Powell outlined the likely need for three to six more months of government financial help for firms and families.

Data out on Friday showed retail sales and industrial production both plunged in April, putting the U.S. economy on track for its deepest contraction since the Great Depression.

Closer to home, data in Japan confirmed the world’s third largest economy slipped into recession in the first quarter, putting it on course for its worst postwar slump as the coronavirus takes a heavy toll.

Adding to the uncertainty were the trade tensions between the United States and China, with Beijing warning it was opposed to the latest rules against telecoms equipment company Huawei.

MSCI’s broadest index of Asia-Pacific shares outside Japan still edged up 0.4%. Japan’s Nikkei [.N225](#) rose 0.6% and Chinese blue chips [.CSI300](#) 0.3%.

More carefree were E-Mini futures for the S&P 500 [ESc1](#) which added 1.1%, even though results from a raft of U.S. retailers this week are likely to make grim reading.

EUROSTOXX 50 futures also gained 1.5% and FTSE futures 1.4%.

Dealers reported much chatter about a possible treatment for COVID-19 from drug maker Sorrento Therapeutics [\(SRNE.O\)](#) which saw its shares soar on Friday.

Another focus will be the U.S. Treasury Department's first auction for its 20-year bond on Wednesday. Treasury plans to borrow a record amount of nearly \$3 trillion this quarter.

So far, the market has easily absorbed the flood of new debt with 10-year yields holding to a tight range around 0.64%.

The dollar has also been largely range-bound, with its safe-haven appeal keeping it well supported overall. Against a basket of currencies, it was last at 100.380 having drifted 0.7% higher last week.

The euro was steady at \$1.0826 [EUR=](#), while the dollar was a fraction firmer on the Japanese yen at 107.10 [JPY=](#).

The pound touched a seven-week low at \$1.2073 [GBP=](#) after the chief economist of the Bank of England said it was looking more urgently at options such as negative interest rates and buying riskier assets to prop up the economy.

In commodity markets, the flood of liquidity from central banks combined with record-low interest rates to help lift gold to a seven-year peak. The metal was last up 1.2% to \$1,762 an ounce, with silver and palladium also on a roll.

Oil prices rose as demand picked up as countries around the world eased travel restrictions.

Brent crude futures firmed 96 cents to \$33.46 a barrel, while U.S. crude rose 98 cents to \$30.41.

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