

Asian stocks were mixed on Wednesday on the ongoing US-China tensions and as fears continued to grow around a second wave of coronavirus infections. Concerns intensified after a leading US Republican senator proposed legislation that would authorise President Trump to impose sanctions on China if it did not provide a full account of the events leading to the virus outbreak. Chinese shares edged higher as Wuhan confirmed no new infections and officials charted out a plan to test 11m people within a 10-day timeframe.

European stocks fell on Wednesday and hit a one-week low, with losses deepening after US Federal Reserve Chair Jerome Powell warned of an “extended period” of weak growth and stagnant incomes due to the health crisis, dragging on investor sentiment already fragile due to the fears of a resurgence in coronavirus cases. Travel stocks, automakers and banks led the decline. Germany’s Commerzbank fell 7.1% and Dutch bank ABN AMRO dropped 9.1% on losses in Q1 as the pandemic drove up loan loss provisions.

US markets declined on Wednesday, although the major averages climbed off their worst levels going into the close but remained sharply lower. The continued weakness on Wall Street came as traders reacted to Fed Chairman Powell's comments about the economic outlook, warning the coronavirus crisis raises longer-term concerns that could result in an extended period of low productivity growth and stagnant incomes. Energy stocks saw some of the market's worst performances, as the price of crude oil turned lower.

10-year US Treasury yields fell on Wednesday as investors reacted to Fed Chairman Powell’s downbeat comments on the economy. Powell also confirmed that negative rates are “not something that we are considering.”

Oil prices declined on Wednesday as worries about a prolonged recession and the resultant weak outlook for energy demand outweighed data on both a decline in US production and its stockpiles over the last week.

Source: Eastspring Investments (Singapore) Limited

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