

REUTERS

Oil off on supply fears; stocks slip before French election

By Rodrigo Campos
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Oil prices fell on Friday as oversupply concerns resurfaced, while the euro and stocks slipped ahead of the first round of the French presidential election on Sunday.

U.S. crude futures fell below \$50 a barrel for the first time in more than two weeks on renewed fears that increasing U.S. production will thwart OPEC's attempts to reduce the global oil glut.

Geopolitical worries remain an issue for investors also with all four leading candidates in the first round of the French presidential election on Sunday seen with a chance of making the run-off vote on May 7. Centrist candidate, Emmanuel Macron, maintained a narrow lead in opinion polls, though a terrorism incident in Paris on Thursday pushed national security to the top of the political agenda.

"After Brexit everyone has to be concerned," said **Joe Saluzzi**, co-manager of trading at **Themis Trading** in Chatham, New Jersey, speaking of the surprise vote last June that resulted in the UK move to leave the European Union.

"People are not going to trade if they are nervous nowadays - there is a little nervousness, a lot of uncertainty, so let's wait and see."

The euro EUR= ended little changed Friday around \$1.0720 but French blue-chip stocks .FCHI fell 0.4 percent. The pan-European STOXX 600 index slipped 0.65 percent to 378.12 percent and MSCI's gauge of stocks across the globe .MIWD00000PUS shed 0.18 percent to 446.54.

"So far markets have been pretty sanguine in the face of the (French) presidential election, which was flagged as one of the potential banana skins for markets in this year," said Hargreaves Lansdown senior analyst Laith Khalaf.

Investors were heartened by good euro zone economic news showing showing businesses activity increased at the fastest rate in six years as new orders stayed robust.

The IHS Markit's Flash Composite Purchasing Managers' Index, seen as a good guide to economic growth, climbed to 56.7 from March's 56.4, its highest since April 2011.

WALL STREET STOCKS SLIP DESPITE GOOD EARNINGS

On Wall Street, the Dow Jones Industrial Average .DJI fell 0.15 percent to 20,547.76, the S&P 500 index .SPX lost 0.30 percent to 2,348.69 and the Nasdaq Composite .IXIC slipped 0.11 percent to 5,910.52.

For the week, the Dow rose 0.5 percent, the S&P 500 gained 0.8 percent and the Nasdaq advanced 1.8 percent in what was the first weekly gain for the top indexes over the last three weeks.

A steady stream of strong U.S. corporate earnings through the week helped to buoy market sentiment.

Of the 95 companies in the S&P 500 index that have reported earnings through Friday morning, about 75 percent had topped expectations, according to Thomson Reuters data, above the average for the past four quarters.

Overall, profits of S&P 500 index companies are estimated to have risen 11.2 percent in the quarter, the most since 2011.

GEOPOLITICS DOMINATES CURRENCY MARKETS

The week ahead has investors concerned not only about the French elections, but also a possible North Korean nuclear test and the deadline next Friday for the U.S. to avoid a federal government shut down.

The euro ended little changed against the U.S. dollar around \$1.0720 ahead of Sunday's French presidential election.

"We have got overall de-risking happening. You have people keeping the powder dry ahead of Sunday," said Karl Schamotta, director of global product and market strategy at Cambridge Global Payments in Toronto.

"Traders are looking for liquidity and countries with a strong net international position," he said.

The U.S. dollar index .DXY was also steady at 99.75 while the yen JPY=.

U.S. Treasury prices were little changed with eyes on France. 10-year note yields have held in a tight range since falling to five-month lows on Tuesday, as investors await a catalyst to determine if bonds will resume their rally.

Benchmark 10-year notes US10YT=RR last fell 2/32 in price to yield 2.2463 percent, from 2.241 percent late on Thursday.

Spot gold XAU= added 0.2 percent to \$1,284.00 an ounce.