Global stocks climb on hopes of economic recovery and stimulus

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Global stocks climbed and yields on longer-term US and German government debt rose as investors brushed aside political risks and pinned their hopes on a swift rebound for economies rocked by the coronavirus pandemic.

The S&P 500 index was up 1.4 per cent, notching a fourth consecutive day of gains. The tech-weighted Nasdaq rose 0.8 per cent to within a couple of percentage points of an all-time high, recouping its coronavirus-induced losses.

The Vix volatility index, a measure of expected swings in options on the S&P 500, often dubbed a "fear gauge" for the market, fell 5.9 points to 25.88, its lowest level since late February.

Gains on European markets were even sharper, with the UK's FTSE 100 up 2.6 per cent and the continent-wide benchmark Stoxx 600 ending 2.5 per cent higher.

"Just as the winners of the last two months were running out of steam, along come the laggards to the party," said Jim Reid, Deutsche Bank strategist.

Investors' expectations were also fuelled by a growing conviction that central banks would announce more stimulus packages. The European Central Bank could report an expansion of its programme on Thursday.

The strong gains in equities were mirrored by rising yields on longer-dated German and US sovereign debt, indicating that investors were looking instead for more risky assets.

The yield on the 10-year US Treasury rose as high as 0.75 per cent, its highest closing point in 10 weeks, and the 30-year "long bond" rose to as much as 1.56 per cent before crimping its gains. The yield on 10-year German debt rose to minus 0.35 per cent, its highest level since early April.

US stocks have forged ahead despite mass protests in cities across the country after the death of an African-American man at the hands of police and rising tensions between Beijing and Washington.

JPMorgan shares rose 5.4 per cent, Citigroup 4.9 per cent and Bank of America 4.6 per cent on hopes of an economic recovery.

The S&P 500 is now less than 10 per cent off its all-time high, though in a sign the rally in equity markets was broadening, stocks in Europe have outperformed Wall Street this week.

"It's more than a little uncomfortable that America's markets continue to edge higher even as its cities have convulsed into violence," said Christopher Smart, head of Barings Investment Institute. "Perhaps it's a reminder that the S&P 500, like any equities index, is an imperfect measure of the state of a country. Perhaps it's a reminder of just how much liquidity is sloshing through the system looking for a home."

The US dollar index, which measures the currency against a basket of its global peers, fell for a seventh straight session to its lowest level in almost three months.

Survey data released on Wednesday showed that business activity in Europe had begun to recover as lockdowns loosened, although German unemployment has risen to a four-year high in a sign of the significant economic damage caused by the pandemic.

Oil prices gave up earlier gains that had seen Brent climb back above $40 a barrel for the first time in almost three months. Brent, the international benchmark, fell 0.7 per cent to $39.25 a barrel. US marker West Texas Intermediate slipped 0.1 per cent to $36.80 a barrel.

A planned Opec+ meeting on Thursday was in doubt after a dispute erupted over producers' compliance with an agreement to curb production.

Equity markets in the Asia-Pacific region rose, with South Korea's Kospi adding nearly 3 per cent after Seoul announced an additional $29bn stimulus programme to help support the economy.

"Markets are in full liquidity-on mode" as investors look through headwinds including geopolitical friction such as over the future of Hong Kong, strategists at HSBC said in a note.

"Instead, news flow around new stimulus packages and possible vaccine breakthroughs are greeted jubilantly. This might continue in the short term, but is hardly sustainable," they added.

Elsewhere in Asia, China's CSI 300 index of Shanghai- and Shenzhen-listed stocks was broadly flat after the Caixin purchasing managers' index showed that Chinese services sector activity rose for the first time in four months in May. New orders jumped at the fastest pace in a decade, indicating a robust recovery in certain parts of the world's second-largest economy following its Covid-19 outbreak.