

COVID-19 update



Update

08 April 2020

Contact us:

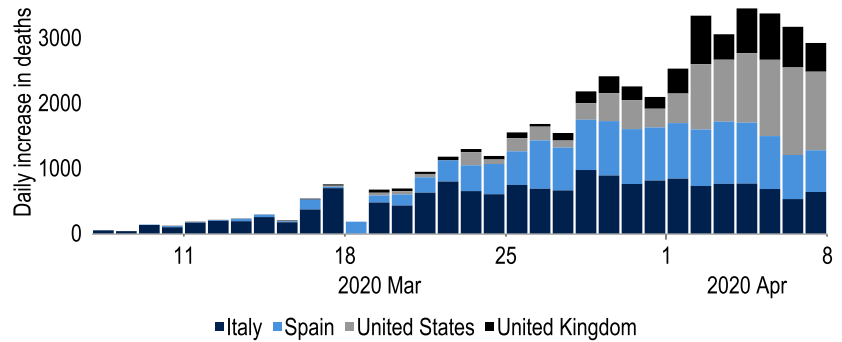
T: +353 (0) 1 421 0091

E: treasury@investec.ie



The recorded number of coronavirus cases globally is approaching the 1½ million mark. However amidst a myriad of concerning headlines some glimmers of hope have emerged. Of particular note has been the decline in daily deaths across the current 'hot spots' for the crisis. Total daily deaths in Spain are down for 4 days in a row whilst in Italy daily death totals over the past three days have been around 200 lower than levels a week ago. In the US, daily deaths continue to rise, with New York seeing a record 731 fatalities on 7 April. But even there, NY Governor Andrew Cuomo has cautioned that rising daily fatalities are a "lagging indicator" and has highlighted slowing rates of coronavirus hospitalizations and intensive care admissions as signs that social distancing is working.

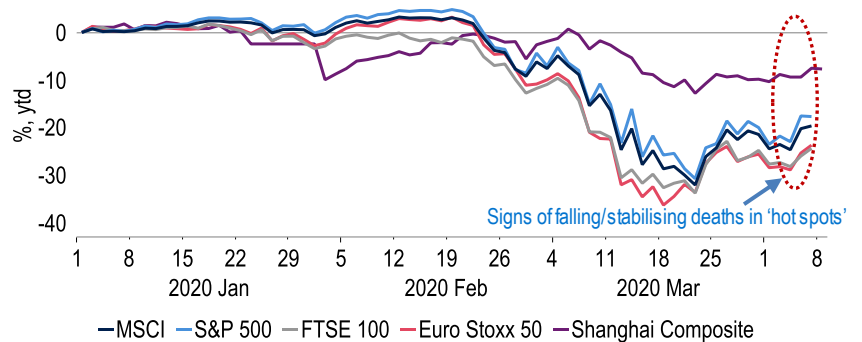
Chart 1: New deaths are falling in key coronavirus 'hot spots'



Source: Macrobond, World Health Organisation

Equity markets have taken on board this news. Indeed, in the US the S&P 500 index rose by 7.0% on Monday (6 April) with only a very minor retracement (-0.2%) on Tuesday. Sentiment has been aided by stabilisation/falls in 'hot spot' death numbers, and more specifically by greater talk of a move away from some social distancing and lockdown restrictions in certain locations. In France, Spain, Belgium and Finland expert committees are examining how to ease lockdown measures whilst avoiding a second jump in cases. Meanwhile Austria announced some shops would re-open as soon as next week and Denmark announced its primary schools would re-open very shortly. President Trump also reiterated he wanted to reopen the US economy.

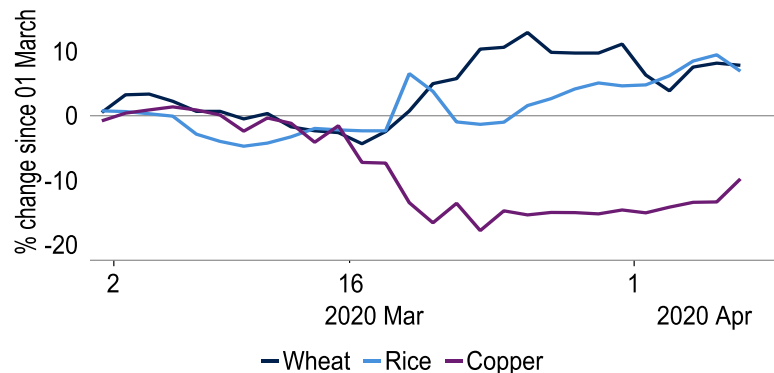
Chart 2: World equity indices take comfort from signs of lower fatalities



Source: Macrobond

The depth of the global recession this year looks set to impart an overall disinflationary shock to the world economy, despite an expected rebound in H2 this year. But right now this picture is not uniform. Since mid-March, specific food prices have risen sharply (Chart 3), reflecting COVID-19 related factors. In particular, there has been a surge in demand for wheat and rice based products and some reports of hoarding by specific countries. Supply considerations appear to have been modest. Unless this shift in household preferences turns out to be permanent, a degree of destocking seems likely to put downward pressure on these commodity prices, at least when the fallout from the coronavirus pandemic begins to subside.

Chart 3: Specific food commodity prices have risen sharply recently (USD per weight)



Source: Macrobond

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