

# COVID-19 and Monetary policy developments



## Update

19 March 2020

COVID-19 update

Monetary policy  
developments (ECB, RBA)

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## COVID-19 update:

Overnight, the Chinese authorities have reported no daily increase in the number of new domestic cases of coronavirus for the first time since reporting began in January. While Chinese state media have hailed this as a “milestone”, it still cautioned that containment measures would need to remain in place due to the risk of imported cases which rose by 34 on Wednesday. In the UK, Transport for London have announced that they will implement a partial shutdown of the London Underground beginning today. As a result, up to 40 stations that do not interchange with other lines closed "until further notice". This comes amid widespread reports that the government is planning a shutdown of the capital as early as this weekend. While the FT reports that this will see only one person of each household permitted to go outside at any one time, The Telegraph suggests a less severe restriction is being planned that will see supermarkets, corner shops and pharmacies remain open. Note also that all schools across the UK will close from tomorrow afternoon until further notice, but that exceptions will be made for the children of “key workers” who will be allowed to attend “skeleton schools”. Meanwhile, Australia and New Zealand have announced that they will close their borders to all non-residents from Friday onwards in an effort to contain the spread of the virus. Citizens will be able to return, but will be required to undergo a fortnight in self-isolation. Additionally the first two members of the US congress have tested positive for COVID-19; Mario Díaz-Balart, a Republican congressman from Miami, and Ben McAdams, a Democrat from Salt Lake City, have both been confirmed to have contracted the virus. It has also been confirmed today that Michel Barnier, EU's Chief Brexit Negotiator has tested positive for the virus.

## Monetary policy developments (ECB, RBA)

In another emergency central bank announcement overnight the ECB launched a new €750bn QE programme in response to the COVID-19 crisis. This new QE programme will be known as the Pandemic Emergency Purchase Programme (PEPP) and it will allow the ECB to buy €750bn of bonds until the end of this year and in the same asset classes as it purchases under its existing QE programme- sovereign, corporate and covered bonds as well as asset backed securities. There have been two additions to this however, in that the PEPP will also buy euro area corporate commercial paper, following the in the footsteps of the Fed and the BoE in addressing this market segment, whilst it will also buy Greek government bonds once more for the first time in several years. This latest move by the ECB looks to be in response to the clear strains in financial markets in recent days and in particular sovereign bonds, which saw a sharp rise in yields yesterday. In addition to the ECB the Reserve Bank of Australia (RBA) announced a number of policy measures this morning including, i) a cut in the cash rate to a record low 0.25%, ii) the introduction of QE, with the aim of keeping the 3yr yield on Australian government bonds around a target of 0.25% and iii) a AUD\$ 90bn term funding scheme to provide banks access to a 3yr funding facility.

## Charts - FX - OIL - Interest Rates:

Source: Bloomberg

### EUR/USD



### EUR/GBP



## GBP / USD



## Brent Crude Oil



## 10 Year Euro, US, UK Interest Rates



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