

# Market Overview



## Update

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Contact us:

T: +353 (0) 1 421 0091

E: [treasury@investec.ie](mailto:treasury@investec.ie)



## Chinese PMI bounces back:

The coronavirus continues to dominate risk sentiment, with the number of cases worldwide climbing above 850,000 yesterday. Since the start of the year, the S&P 500 has fallen by 20%. This is the weakest quarterly performance since 2008 and the worst Q1 on record. Late yesterday, US President, Donald Trump, warned Americans to prepare for a “very tough two weeks” as he revealed that the White House estimated that the US could see as many as 240,000 deaths even if social distancing guidelines are adhered to until the end of April.

PMI surveys released overnight laid bare the economic consequences of the containment measures, with the South Korean manufacturing PMI dropping from 48.7 to an 11-year low of 44.2 in March. However, on a brighter note, the Caixin Chinese manufacturing PMI rebounded from 40.3 to 50.1 in March, thereby tracking the official survey back into positive territory after the record lows registered in February. Note that ‘final’ manufacturing PMIs for Europe and the US are due later today.

## Promise of more stimulus can't halt slump:

In the face of this disruption, Mr Trump is also said to be poised to announce a 90-day suspension of some tariff payments in order to reduce the burden on US companies. However, reports suggest this will not extend to some of the most high-profile tariffs imposed during his presidency, including those on \$360bn of Chinese imports and duties imposed on metals on national security grounds.

Meanwhile, the Federal Reserve yesterday announced that it would establish a repurchase agreement facility for foreign and international monetary authorities (FIMA) which will allow other central banks to post Treasuries as collateral in return for temporary loans of US dollars. Mr. Trump also tweeted yesterday that there may just be some additional fiscal stimulus on the way, he said that “with interest rates for the United States being at ZERO, this is the time to do our decades long awaited Infrastructure Bill. It should be VERY BIG & BOLD and be focused solely on jobs and rebuilding the once great infrastructure of our country! Phase 4”. This was supposedly focussed around a \$2tn infrastructure jolt of stimulus but it wasn't enough to keep US equity markets in the green, the three main US indices all closed the quarter out down anywhere between 0.95% and 1.84% lower on the day. After a less than impressive Asian session, European markets are also being greeted to a similar performance. All the major European bourses are all opening Q2 well in the red.

## COVID-19 disruption begins to hit:

The AIB Ireland Manufacturing PMI for March showed a marked decrease to 45.1 from 51.2 in February and indicated the sharpest decline in production since 2009. This is the first economic data point that clearly shows the impact of the virus outbreak and associated containment measures.

Output, new orders and exports all declined at their fastest rates in more than 10 years, while supply chains and business confidence were also severely hit. The Output Index fell by a record 8.9 points in March following reaching a 12-month high in February. The 14.1 point fall in the New Orders Index was also a record decline and points to further falls in the headline PMI in the coming months. This decline came despite panic-buying demand surges in areas such as healthcare and food (data in the UK yesterday showed significant sales growth in the Food Retail sector in Q1). March witnessed unprecedented delays in the delivery of inputs to Irish manufacturers and the Suppliers' Delivery Times Index fell by 9.9 points to its lowest level since the survey began 22 years ago. Unsurprisingly, the Employment index didn't fare much better and recorded the sharpest reduction in the workforce since July 2009, albeit only the third largest one-month fall in the history of the series.

While the Irish Manufacturing PMI recorded a severe drop in March, based on evidence from other Eurozone countries, a larger shock is in store for the Services sector when its PMI for March is released on Friday. Also, as with a lot of the economic data at the moment, attention needs to be paid to reference dates. Responses to the Manufacturing PMI were collected between March 12th and 24th and the pace with which events are moving is not encouraging for the next PMI releases.

## Capital Solutions from Investec Corporate Finance:

Everyone at Investec understands the significant challenges faced by our clients as a result of COVID-19 and its impact on businesses and economies. Going above and beyond expectations to protect and deliver solutions for our clients is one of Investec's core values and Investec has a range of capabilities to assist its clients to address these challenges. In this regard, Investec's Corporate Finance team have significant experience and expertise to provide clients with a wide range of financial solutions including short-term working capital and term debt as well as equity to fund growth and acquisitions. Please contact your account manager if you wish to have a discussion with our Corporate Finance team.

The Corporate Finance team are available to assist all our clients and further details of the team and its track record can be found by [clicking here](#).

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