

# Market Overview



## Update

02 June 2020

- [China announces CNY 400bn stimulus plan](#)
- [Up this week](#)

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## China announces CNY 400bn stimulus plan:

Asian and European equity markets are tentatively positive this morning, helped by some optimism over the bottoming/recovery of major economies and the news yesterday that the People's Bank of China (PBoC) has earmarked Rmb400bn (€50.5bn) and created a new tool to temporarily buy small business loans from banks. Reports of an order from China's government to halt US soybean purchases added to worries about US-China relations but has not been enough to shift risk sentiment off its currently modestly positive standing. In the US, further shocking scenes continued again yesterday, following the death of George Floyd. Mr Trump called himself the "law and order" president, speaking as police fired tear gas and rubber bullets at protesters who were demonstrating peacefully in Lafayette Square. A curfew was imposed in New York, though there were still around 1000 protesters on the streets after the 11pm deadline passed, amidst continued reports of violence and looting. President Trump has now threatened to send American soldiers on to the streets to seek to quell the unrest. Clearly questions are being asked about whether these events could heighten the risk of a second coronavirus wave and provide an additional impediment to the US's recovery. Meanwhile, in Australia, the central bank remained on hold with the cash rate maintained at 0.25% and other elements of its policy armoury (forward guidance, yield curve control) also on hold.

## Up this week:

There are no headline releases in the **UK** this week, the Bank of England's credit data will give insight as to the movements in lending over April. Other UK data includes house price indices and GfK consumer confidence data for the latter part of May. In **Europe**, we will get a look at new German manufacturing orders data on Friday, which should give some hard evidence of the impact on the Euro area's largest economy through April. ECB President Christine Lagarde and the Governing Council meet this week, before announcing a policy decision on Thursday. The European Commission's fiscal plan worth €750bn (split 2:1 between grants and loans funded by joint debt issuance) should lift some of the weight from the ECB's shoulders. We expect no change in the headline Deposit rate, whereas we had previously looked for a 10bp cut. This week's big-ticket release however comes from the **US**, in the form of the employment situation report. In April an estimated 20½ million jobs were lost in the US, with the unemployment rate rising to 14.7%. For May, we expect a loss of 9½ million jobs. Although this is not as sharp as last month's fall, it would push the unemployment rate higher, we suspect to the tune of 19.7%. As ever, the ADP employment change release on Wednesday will give a good indication as to the magnitude of the change in the non-farm payrolls. Whilst US labour market data is certainly one to watch, political tensions both domestic and international are returning to the fray. These and the critical medical developments will continue to be the key drivers for investor sentiment.

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