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Market Overview

Update

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- **Death rates continue to decrease**
- **Up this week**
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Death rates continue to decrease:

Sadly, over 250,000 people have now died globally after contracting COVID-19. However, on a slightly brighter note, daily reported global deaths are still decreasing. Front and centre at present is the war of words between the US and China, primarily as a result of President Trump's accusations of a cover up of the virus outbreak and even the suggestion that China deliberately allowed the virus to spread beyond its borders. The President has promised a 'very conclusive report' on the matter. These latest claims by the US could lead to a further deterioration in the relationship between the two, which was already tense due to the trade war. Staying in the US, California is the latest State to announce an easing of restrictions. From Friday, shops including those selling clothing and sports goods can open, with customers having to collect their orders from the kerbside. In the UK, PM Boris Johnson is set to make an announcement on Sunday, following the government's review of the lockdown, required by Thursday. Frustration at the economic fallout in the UK continues to grow; data released this morning showed that new car sales in the UK were down 97% (yoy) in April. Eight-hundred thousand employers have already tapped into Chancellor Rishi Sunak's Coronavirus Jobs Retention Scheme, which has been open for just one week, with 6.3m jobs furloughed. If it were one job per worker, this would be c. 23% of the UK's workforce (one worker may have been furloughed from a number of part-time jobs). Risk-on markets appear to have a better day ahead today. Indeed, Asian markets are moderately higher this morning, though note that Japanese and Chinese markets remained closed until tomorrow. Meanwhile, after eking out a 0.4% gain yesterday, the S&P 500 is also expected to open in the green today.

Up this week:

In the UK, The Bank of England's MPC gather, with an announcement coming on Thursday at midday, alongside the publication of its Monetary Policy Report. We do not expect any further action from the MPC, though the Bank's projections will be of major interest. At the same time, the Bank's FPC will publish an interim Financial Stability Report, another item to keep an eye on. In the US, Friday will see their employment situation report for April, which can only make for grim reading. We are forecasting a loss of 26m jobs for the US economy, with the headline unemployment rate rocketing to 15.5%. Over 30m claims have been filed for out-of-work benefits in the US in the last 6 weeks. The Reserve Bank of Australia held rates steady earlier this morning (0.25% cash rate) but it did announce a tapering in the size and frequency of bond purchases, following an improvement in market functioning. Australian authorities expect a 10% GDP contraction in Q2, suggesting that social restrictions are reducing economic output by A$4bn every week, despite the easing of some measures last week.

Irish Economy:
The first step towards an economic restart

The country reaches a milestone on the path to restarting economic life today, with the first steps to loosen strict lockdown measures. The easement today is very limited, with more meaningful loosening only beginning on 18 May, and a substantial portion of the economic restart weighted towards the later stages of the government's roadmap. With a number of other European countries more advanced in the reopening process, the Irish government is perhaps taking a more cautious approach than some of its peers in Europe, but this is understandable given the risks involved.

Accompanying the 'Roadmap for Reopening Society & Business' is an expanded set of fiscal supports for businesses announced over the weekend. This €6.5bn package includes €2bn towards credit guarantees for SMEs, a commercial rates waiver for three months, the 'warehousing' of tax liabilities for 12 months and the launch of a €2bn Pandemic Stabilisation and Recovery Fund by ISIF. Importantly, this latter fund will make capital available to medium and large enterprises by way of equity and hybrid instruments, rather than just increasing businesses' debt burdens. While the lack of a new government has not materially impeded the state's crisis response to date, we note that the majority of these new supports will need new legislation which requires the formation of a new government.

Significant improvements in the country's public finances in the past several years has afforded the incoming government considerable borrowing headroom and the range of supports announced to date will not come close to utilising all of it. Some other countries have taken more aggressive fiscal approaches already, with the German and US responses perhaps the most striking in this regard. However we are far from the endgame of this crisis and it is sensible to keep measures and funding in reserve to deploy as the situation evolves.

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