

Market Overview



Update

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Coronavirus update:

A positive tone ran through markets yesterday with the S&P 500 closing 7% higher yesterday. Asian markets have largely held that tone this morning too, with China re-opening from a holiday and with the Shanghai Composite 2.1% up. The drivers of the improvement were a levelling off in death tolls in some of the areas worst affected by the coronavirus as well as signs/steps of planning in some geographies to re-open parts of the economies. New York Governor Andrew Cuomo said that deaths were showing signs of hitting a plateau. Meanwhile we had the news that France and Spain set up expert committees to examine ways to ease lockdown whilst avoiding a second spike in cases. In Austria yesterday we saw plans set out there to ease lockdown, with some shops re-opening as soon as next week. In Denmark there are plans to reopen day care centres and schools on 15 April as a first step to gradually relax a three-week lockdown. Closer to home we received the concerning news that UK Prime Minister Boris Johnson had been moved to intensive care as his personal battle with the coronavirus turned more worrying. Foreign Secretary Dominic Raab is Mr Johnson's 'Designated Survivor' (not an official position) and was asked take charge whilst Mr Johnson is unable to. He will continue to deliver on the UK's coronavirus action plan. There is no update on Mr Johnson's condition at this current time; it is being reported that journalists will be given more information at the daily lobby briefing which is usually at midday.

EU finance ministers meeting:

EU finance ministers meet today in an attempt to hammer out an agreement on a central mechanism for funding fiscal spending in face of the coronavirus threat. The failure to come to a swift agreement has again highlighted one of the weaknesses of the EU framework when dealing with crises of this magnitude, and has weighed on the euro for the past few weeks. So far, Germany and the Netherlands in particular have opposed joint debt issuance, so called euro-bonds or corona-bonds. They have pointed out that the ESM (Emergency Stability Mechanism) remains available to any EU country who needs to raise funds at short notice. However Spain and Italy have both rejected the suggestion, wishing to avoid the stigma associated with what they see as a bail-out programme. Today's meeting could see ministers try to remove some of that stigma from accessing the ESM. Could they go further and rubber stamp joint debt issuance? Unlikely, but Angela Merkel has called the crisis the biggest threat to the EU since its foundation. It has already forced Germany to break its fiscal rules, which it had adhered to so solidly in the face of previous threats, so a big announcement could materialise today.

Irish Economy

Unemployment now approximately 25%

The latest update from the Department of Employment Affairs and Social Protection showed that it had issued payments to 507,000 people in respect of the COVID-19 Pandemic Unemployment Payment as of last Friday, 3rd April. This suggests that the unemployment rate has reached approximately 25%.

According to this update, the numbers receiving the new Pandemic Unemployment Payments increased by 224,000 from the previous week and presumably captures the majority of workers laid off following the tightening of government workplace restrictions over the weekend of 28/29th March. Although mindful that we are mixing datasets, adding this 507k to the latest (pre-outbreak) unemployment figure of 120k indicates that unemployment had reached approximately 627k at the end of last week. The most up to date figure for the total labour force is from Q4 last year and is 2.47m. As such, the unemployment rate looks to now be in the region of 25%.

The CSO will publish the official unemployment rate for March on Thursday having delayed the release to allow it time to assess the new government support schemes. Such is the pace at which events are moving that it is not clear whether this release will capture the extent of the latest increase in Pandemic Unemployment Payments. Nevertheless, the hope is that unemployment does not have much further to rise from here and can quickly diminish once the economy begins to reopen.

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