

Market Overview

Update

07 May 2020

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Bank of England announcement:

The UK's Monetary Policy Committee, at their scheduled 7am announcement, judged that the stance of policy was appropriate and left Bank rate on hold at 0.10% and the QE total at £645bn. This was in line with consensus expectations. Although the 'on hold' decision was backed by all nine members for Bank rate, there were two dissents to the steady QE decision. These two members (Jonathan Haskel and Michael Saunders) favoured an increase in QE buying. Amidst some pressure to raise the QE total already, there is clearly now a notable possibility that the committee might wish to raise its targeted QE total over the months ahead. The BoE, across its Monetary Policy Report and Financial Stability Report, has also published an illustrative scenario for the economic path in the face of COVID-19. Notably, this envisages a contraction in UK GDP of 14% in 2020 with an expansion of 15% in 2021. In levels terms, UK GDP is not seen returning to pre-crisis levels until H2 2021, whilst the unemployment rate is seen rising to 8% this year, falling back to 4% in 2022. Long term damage to the UK economy is seen as "relatively small". Sterling has risen slightly on the back of the release, the benchmark EUR/GBP rate is currently sitting at £0.8715 down from £0.8750 ahead of the 7am announcements.

COVID-19 update:

Globally, the number of coronavirus cases now stands at just over 3.8 million, a rise of 2.6%. Sadly, global fatalities now stand at nearly 265k, a rise of 2.6%, compared with the previous five-day average of 2.1 per cent. In the US, cases rose by 2%, while total US fatalities are nearly at 75k - a daily rise of 3.5%. In the UK, daily cases rose by 3.1% to just over 20k while their death rate rose by almost 650 yesterday, that's a 2.2% rise on the day. Staying with the UK, today marks the legal deadline for the UK's current lockdown period to be reviewed. UK Prime Minister, Boris Johnson, is set to address the nation on Sunday but indicated in Prime Minister's Questions yesterday that he would ideally want to "get going" with some easing in lockdown measures as of Monday. Any significant detail on what these might constitute is not yet available, though there is much speculation in many of the papers and the focus appears to be on the relaxation of outdoor activities permitted. In Germany, as the growth and death rates slow significantly (both below 1%), most shops will be allowed to reopen shortly. Later this afternoon we'll get another look at the weekly US jobless data. Analysts are forecasting that another three million Americans will have filed for unemployment in the last seven days.

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