Investec

Market Overview

Update

08 April 2020

- **COVID-19 update**
- **Eurogroup ministers fail to reach agreement**
- **Irish Economy**

Contact us:

T: +353 (0) 1 421 0091

E: treasury@investec.ie

Best Foreign Exchange Provider in Ireland 2020
Global Finance

COVID-19 update:

The number of COVID-19 infections globally continued to rise yesterday, with the total now standing close to 1.5m and the US making up for 400k of that. Market moves were generally varied; the S&P giving up gains to end 0.16% down, Asia has been mixed (Shanghai flat of today, Nikkei +2.6%). Much of the focus this week has been on signs that the rate of new infections are plateauing or declining in many of the worst hit economies. Notably the UK's chief scientific advisor Patrick Vallance stated that it is possible that the UK is 'beginning to see a change' and that there are some tentative signs that the infection curve was beginning to flatten. However he did note that another week or so would be needed for confirmation. In terms of the Prime Minister's condition, Boris Johnson remained in intensive care for a second night, with his condition being described as stable. Aside from trends in infection rates there also remains a focus on stimulus, with reports overnight suggesting that the White House was seeking another $250bn, to beef up a $350bn fund to support loans for small businesses, that was originally put forward in the $2.2trn stimulus package that was agreed in March. The request to increase the size of the fund comes amidst exceptional demand from business.

Eurogroup ministers fail to reach agreement:

On this side of the Atlantic, focus will be on the Eurogroup. An announcement was expected today, but that has been moved to tomorrow amidst continued debate over the activation of the Euro area's bailout fund, the ESM. Meanwhile any agreement over a French proposal for jointly issued 'coronabonds' looks even more distant with both Germany and the Netherlands rejecting the idea. On a positive note, the ECB loosened the rules around acceptable collateral. The move allows banks to once again place Greek bonds and lower credit quality and foreign currency bonds with the ECB as collateral for additional funding. The central bank will also accept government guaranteed bonds, a significant step given the volume of guarantees announced for corporate debt in recent fiscal measures. Finally, it is worth remembering that there is a G20 Energy Ministers meeting this Friday, where focus is very much on whether an agreement can be reached on output cuts.

Irish Economy: €6bn bond sale

The NTMA yesterday raised €6bn through the syndicated sale of a new benchmark 7-year bond. The funds were raised at a yield of 24.2bps.

The issue was met with exceptional demand on foot of the recent launch of the ECB's €750bn PEPP programme as well as the continued improvement in the country's public finances, notwithstanding present challenges. The order book totalled over €33bn, well in excess of the previous high for a syndicated debt sale.

Public debt levels will undoubtedly climb as governments look to contain the long-term damage from the coronavirus outbreak. However Ireland has made significant progress in reducing its debt load in recent years and now boasts a debt to GDP ratio well below the Eurozone average (even though this metric is flattered by a MNC-inflated GDP level). The country entered this crisis with plenty of borrowing headroom.

Disclaimer

Investec Europe Limited (Investec Europe) has issued and is responsible for production of this publication. Investec Europe Limited trading as Investec Europe is regulated by the Central Bank of Ireland. Registered in Ireland Number 222173. Registered office The Harcourt Building, Harcourt Street, Dublin 2, D02 F721.

This publication should be regarded as being for information only and should not be considered as an offer or solicitation to sell, buy or subscribe to any financial instruments, securities or any derivative instrument, or any other rights pertaining thereto (together, "investments"). Investec Europe does not express any opinion as to the present or future value or price of any investments referred to in this publication. This publication may not be reproduced without the consent of Investec Europe.

The information contained in this publication has been compiled from sources believed to be reliable, but, neither Investec Europe, nor any of its directors, officers, or employees accepts liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. The information contained in this publication is valid as at the date of this publication. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the matters discussed herein.

This publication does not constitute investment advice and has been prepared without regard to individual financial circumstances, objectives or particular needs of recipients. Readers should seek their own financial, tax, legal, regulatory and other advice regarding the appropriateness or otherwise of investing in any investments or pursuing any investment strategies. Investec Europe operates exclusively on an execution only basis.

An investment in any of the investments discussed in this publication may result in some or all of the money invested being lost. Past performance is not a reliable guide to future performance. To the extent that this publication is deemed to contain any forecasts as to the performance of any investments, the reader is warned that forecasts are not a reliable indicator of future performance. The value of any investments can fall as well as rise. Foreign currency denominated investments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such investments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors.

Investec Europe (or its directors, officers or employees) may to the extent permitted by law, own or have a position in the investments (including derivative instruments or any other rights pertaining thereto) of any issuer or related company referred to herein, and may add to or dispose of any such position or may make a market or act as a principal in any transaction in such investments or financial transactions.

Investec Europe's conflicts of interest policy is available at https://www.investec.com/en_ie/legal/IE/terms-and-policies.html