

# Market Overview



## Update

09 June 2020

- **Cautiously optimistic**
- **UK Cabinet meet to discuss 'next steps'**
- **Irish Economy**

## Contact us:

T: +353 (0) 1 421 0091

E: [treasury@investec.ie](mailto:treasury@investec.ie)



## Cautiously optimistic:

It seems any and all bad/negative economic news has already been well priced in as global equity markets are currently looking through the fog of uncertainty and focussing on the 'improving' element of what seems to be a continuing barrage of poor economic data releases. It's no real surprise then that on the very same day the US National Bureau of Economic Research announced that the US economy has hit its first recessionary period in almost eleven years, the tech heavy US Nasdaq equity index closed out the session at an all-time high level of 9,925. In Germany, their very important industrial production print came in at a worse than forecast -17.9% for April, that's a whopping -25.3% year on year, the worst since the height of the 2009 financial crisis. In the UK, BRC retail sales measures, released earlier this morning, showed total sales down 5.9% year-over-year in May. This was the second biggest fall since records began in 1995 but notably less horrific than the 19.1% drop in total sales recorded for April. On a separate like-for-like measure, which excluded temporarily closed stores but included online, sales were actually up 7.9% on a like-for-like basis (from +5.7% (yoy) in April on this special adjusted measure). As such the figures provide a further pointer to April representing the weakest point for the UK's coronavirus economic shock. Figures from Barclaycard also pointed to a slightly less grim picture in May, albeit less notably than the BRC figures with recorded consumer spending still down 26.7% (yoy), according to their figures, from -36.5% in April. All in all, while things are bad, it does look like they are improving.

## UK Cabinet meet to discuss 'next steps':

Today the UK Cabinet will meet for important talks on what the next steps the UK should take in re-opening and re-starting the economy, amidst some pressure to move rapidly from within top Cabinet ranks. The weekend's press reported the Prime Minister's shock at the scale of potential leisure and hospitality job losses, and discussions over re-opening the likes of cafes and restaurants to outside hospitality, perhaps from 22 June. Note though that Mr Johnson said yesterday that they want to re-open pubs, bars and restaurants soon safely pointing to the roadmap which focuses on 4th July as the next key date. There are also reports in the recent press that most of the Cabinet want to cut the two metre social distancing requirement, against scientific advice, which would likely ease strains for hospitality businesses as they re-open as well as aid the return of retail as non-essential stores re-open on 15 June.

## Irish Economy:

### Pandemic unemployment to fall below 500k

The latest update from the Department of Employment Affairs and Social Protection revealed that 515,700 people are this week receiving the COVID-19 Pandemic Unemployment Payment (PUP). The 27,400 (5%) reduction in the past week is in line with that indicated by the numbers returning to work in last week's update. A further 22,200 have informed the Department that they are returning to work and this pending reduction will bring the cumulative decline in PUP recipients to over 100,000 (17% of the peak of 598,000). The main sectors in which people are returning to work this week are in line with what we have seen so far – Construction (-6,500 to 44,900 claimants) and Retail (-3,700 to 72,900). 2,000 people in the Accommodation/Food Service sectors are also returning to work, but this sector will still have the greatest representation on the list of remaining claimants at 117,800 (24% of the total). The reductions so far have been encouraging and will continue in the coming weeks, but the size of the 'rump' that will not smoothly transition back to employment remains to be seen. Separately, data from the CSO showed that the number of new car registrations in May fell 84% y/y to 1,490, a slightly less severe drop than the -90% in April. New goods vehicle registrations in May fell 70% y/y to 744.

#### 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](https://www.investec.com/en_ie/legal/IE/terms-and-policies.html)