Market Overview

Update

11 May 2020

- **UK starts to ease restrictions**
- **Up this week**

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UK starts to ease restrictions:

UK PM Boris Johnson yesterday outlined the government's three stage plan for a gradual unwinding of the lockdown. The first stage, which applies this week, includes; the reopening of garden centres; being able to take unlimited amounts of exercise and to travel to parks; and meeting friends on a one-to-one basis, providing social distancing is maintained. A phased re-opening of shops and allowing some primary school children to return to school is planned for 1 June. A third step, hoped for early July, would include a re-opening of the hospitality sector and other public places. However the timetable depends critically on further progress in lowering infection rates and preventing a new spike. Mr Johnson will outline the plan in more detail to the UK Parliament later today. It should be noted that these rules only apply to England. Scotland, Wales and Northern Ireland all have their own versions of the way forward. Elsewhere US non-farm payrolls plunged by 20.5m in April, with the unemployment rate soaring to 14.7% (from 4.4% in March). This is the worst drop in jobs and the highest rate of joblessness on record, at least as far as the official statistics run, but figures were not quite as dire as expected, giving US risk markets a boost on Friday. A further help to equities this morning comes from China where in its Quarterly Monetary Policy Report, the People's Bank vowed to take more powerful steps to fight the effects of the coronavirus.

Up this week:

The ***UK*** plays catch up this week by reporting Q1 GDP figures. We are forecasting a 1.6% decline on the quarter. Admittedly this fall would be more modest than those in other European countries (e.g. France -5.8%, Italy 4.7%). But the British government imposed social distancing and lockdown measures later than elsewhere, with the full measures imposed towards the end of the period (23 March). Our forecast is also more optimistic than the Bank of England's -3%, which it revealed in today's Monetary Policy Report (MPR). We do consider the BoE's projection to be somewhat on the pessimistic side. However we would not rule anything out! A string of indicators are due out of the ***US***. We expect April's retail sales to show a further monthly decline, following the 6.7% drop in March. Otherwise a factor to consider is whether business sentiment is beginning to improve in May. In this respect we will closely watch the Empire State manufacturing survey and the preliminary reading for the Michigan consumer sentiment index, both on Friday. ***Chinese*** figures for April are also due to be released first thing on Friday. Two factors in particular are worth keeping an eye on. First, will industrial production in April build on March's improvement (-1.1% in March from -13.5% in January/February). Second, watch to see if retail sales strengthen from the disappointing annual 15.8% decline in March.

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