

Market Overview



Update

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COVID-19 update:

Globally, the number of daily deaths attributed to COVID-19 continues to come down and whilst figures are typically lower at weekends, it is notable that on Sunday we saw the lowest number of daily deaths for six weeks with a rise of 3656 globally. Note though that Brazil and Russia continue to be countries of particular concern with Brazil seeing the largest daily death rise outside the US. In the UK, yesterday was the day that PM Boris Johnson delivered his statement to Parliament on his phased exit plan from the UK's lockdown. The government published some detail on the proposals, which encourage workers to return to their workplaces where they can safely do so and when they cannot work from home. Publications also included papers on how to make workplaces safer, with guidance for eight sectors on how to operate during coronavirus. There is also a proposal for a 14-day quarantine period for people arriving in the UK, with a few exemptions which have not yet been detailed. This is said to be a key source of tension amidst Johnson's Cabinet and will no doubt be a debate which plays out further over the next few days. Today we expect to hear from UK Chancellor Rishi Sunak. Today, on his 40th birthday, he will set out plans for the Coronavirus Job Retention Scheme (JRS) where he is reportedly set to extend the scheme but also announce a reduction in the generosity of the furlough subsidy from 80% to 60% of pay, after the end of June. Finally note that in the US, President Trump has ordered White House officials to wear face coverings after the first reported cases in the West Wing.

Merkel weighs in on GC ruling:

A whole week after the German Constitutional Court (GCC) surprised markets with a ruling that declared part of the ECB's various QE programmes were deemed unconstitutional from a German perspective, German Chancellor, Angela Merkel finally weighed in on the debate. At an internal CDU party video conference yesterday, Mrs. Merkel was heard to have said that while the GCC ruling is of "great importance", she does also perceive that the spat between the highest court in Germany and the ECB is fixable. One possible solution Mrs. Merkel suggested was for the ECB (by way of The Bundesbank) to provide a detailed briefing of their asset purchase programme. The GCC has handed down the ECB a three month deadline in order to sort out the issues they have identified.

Irish Economy:

Unemployment falls slightly; Wage subsidy recipients rise

The latest update from the Department of Employment Affairs and Social Protection shows that 589,000 people are in receipt of the COVID-19 Pandemic Unemployment Payment (PUP) – a modest 9,000 decrease in the past week.

The small downward change is welcome, even though the number of workers being supported by the government's Temporary Wage Subsidy Scheme (TWSS) continues to increase and now stands at 456,200, a 7% increase from the end of April. Taken together, 1.05m people have either been made unemployed by the pandemic or require part of their wages to be paid by the State – this represents 44% of pre-pandemic employment in the country (25% now receiving the PUP and 19% the TWSS). Looking for those silver linings, the transfer of workers from the PUP to the TWSS (which is the main reason for the fall in PUP claimants) is a more positive dynamic than flows in the opposite direction as those on the TWSS remain on company payrolls and are more likely to be able to transition back to regular employment.

Separately, it was no surprise yesterday to see a 90% drop y/y in the number of new cars licensed for the first time in April. New goods vehicle licences were -68% y/y and the number of used car imports declined by 85% y/y. The motor industry is obviously one that is suffering at the moment and will likely remain under pressure once restrictions are eased if consumers remain cautious.

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