

Market Overview



Update

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Central Bank chiefs dominate news flow:

Yesterday, the S&P 500 closed 1.7% lower after Fed Chair Jerome Powell warned of a potentially extended period of weak growth and stagnant income growth. While Mr Powell suggested that “additional policy measures” may be required to avoid permanent damage to the economy, he nevertheless sought to quash expectations for negative US rates by stating that it was not something the FOMC was looking at. Overnight President Donald Trump said that Mr Powell was his “most improved player”, or MIP, after having slashed interest rates in recent months. In the UK, Bank of England Governor Andrew Bailey gave an interview to ITV. When asked whether spending cuts would be needed to restore the government’s finances once the virus was dealt with, he replied that the central bank can “help to spread over time the cost of this thing to society”. Dr Bailey went on to say it was “pretty clear” that markets expect the Bank to further ramp up its QE purchases, adding that the push among two members on the committee for an additional £100bn was “perfectly reasonable”. Speaking earlier this morning, Bank of Japan Governor Haruhiko Kuroda also dampened the prospects of the BoJ cutting rates further into negative territory. Kuroda, for the second time this week, listed rate cuts last when discussing the range of possible policy measure on the table for the BoJ. The governor had previously placed rate cuts as top of the list when discussing future policy measures. Overnight, the Australian dollar slumped against all major currencies as they saw record unemployment numbers released for April. While the Yen, dollar and CHF saw inflows as risk sentiment dampened.

UK House price survey:

The RICS Residential Housing Market Survey for the UK was also released overnight. The headline prices balance, which captures changes over the past three months, fell from +9% to a one-year low of -21% in April. This may well be impacted by low transaction volumes with new buyer enquiries, agreed sales and new instructions to sell all below the minus 90 mark. Surveyors believe that prices will fall when the market reopens fully; 35% expect prices could be left up to 4% lower, while more than 40% take the view that prices could fall by more than 4%.

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