

# Market Overview



## Update

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- **Markets turn on positive news**
- **Boris upbeat on Brexit**
- **Positive UK employment data**

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## Markets turn on positive news:

What had the makings of a very bad day in the markets (this time yesterday) actually turned out to be a surprisingly positive one. Risk appetite swung back into play again, after the Federal Reserve announced an expansion of its secondary market corporate credit facility. It announced last night that it would begin to buy debt issued by individual corporations based on a broad index of corporate bonds. Originally, the Fed's focus was on ETF purchases. In other positive developments for risk sentiment, Bloomberg news is reporting that President Trump is planning a further \$1trn infrastructural stimulus package. Overnight in Japan, the BoJ left asset purchases and rates unchanged but did pledge additional stimulus if they felt it was warranted. The BoJ moved the estimate of its overall stimulus up to JPY 110tn (\$1tn) from the original JPY 75tn (\$70bn). Meanwhile, amidst worries over rising coronavirus daily case numbers in the States, the US clocked up a reported daily case total below 20k, though figures relating to weekends do tend to be lower. White House Adviser Larry Kudlow reiterated that the White House would not be considering a second lockdown. In Beijing, amidst worries over an outbreak there, 27 new COVID-19 cases were reported, taking the total for the outbreak to 106 since Thursday. Beijing has banned high-risk people from leaving the Chinese capital and halted some transportation services to try and stop the spread whilst there are also reports of local neighbourhoods instituting 24-hour security checkpoints, closing schools and banning wedding banquets, in a sign of how seriously the authorities are taking this threat.

## Boris upbeat on Brexit:

In the UK, an official described Brexit talks as "decent" yesterday, after PM Boris Johnson held a phone conference with his European counterparts in the talks. Mr Johnson reportedly set an end-of-July deadline for sealing a UK-EU trade deal whilst broadly greater optimism emerged from the talks that an agreement might be possible. PM Johnson said that he doesn't "want to see it going on until the autumn, winter, as perhaps in Brussels they would like" and that the EU needed to "put a tiger in the tank" of the talks. Unsurprisingly there has been little comment from the European side in relation to recent talks. Intensified negotiations are due to kick off between the two sides in just under a fortnight's time (29<sup>th</sup> June) and will last up to 27<sup>th</sup> July.

## Positive UK employment data:

Data released by the ONS this morning showed that, against expectations, the UK unemployment rate (ILO) held steady at 3.9% in April, where consensus had been for a rise to 4.7% (Investec 4.9%). The ILO definition of employment includes those who have worked for at least one hour and those temporarily absent from a job, hence furloughed workers are classified as employed, but this is still a shock. Average weekly earnings did show signs of weakness however, with total pay growth moderating in April to +1.0% (3m yoy) from +2.4% (Investec +1.6%), whilst the ex-bonus measure was slightly firmer at +1.7%. The period of March to May saw the largest decrease in vacancies since records began (2001), an estimated fall of 342,000 compared with the prior three months. There are some weak signs there, but this release has given an upside surprise, or a puzzling surprise at least.

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