

Market Overview



Update

16 June 2020

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

Contact us:

T: +353 (0) 1 421 0091

E: treasury@investec.ie



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 (29th June) and will last up to 27th 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.

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