

Market Overview



Update

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EU agrees recovery fund:

After four days of wrangling, the European Council agreed on the details of the €750bn Recovery and Resilience Fund. Following objections from a group of countries led by the Netherlands (the so-called 'Frugal Four'), leaders agreed that €390bn would be available for grants, against the €500bn originally proposed. Moreover the 'Frugal Four' also negotiated larger annual rebates in budget negotiations, in a similar way to the UK in 1984. At the same time the Council also signed off the forthcoming seven year budget, totalling €1.074trn. Alongside positive news on progress on a coronavirus vaccine, risk sentiment in Asia was lifted, with indices making gains during the overnight session. Amid choppy conditions in currency markets, the euro has made some gains against the USD and is currently trading at \$1.1450.

UK public sector net borrowing figures

UK public sector net borrowing figures for June showed a deficit of £35.5bn, an undershoot of the £38bn consensus on Bloomberg and a sharp narrowing from the revised £45.5bn in May. Even so, with this the sort of deficit we are used to for a full annual number over recent years, this still serves to underline the scale of the borrowing required to deal with the pandemic.

Britain's economy:

Britain's economy has recovered about half the output it lost in March and April when the COVID-19 lockdown was tightest, Bank of England chief economist Andy Haldane said on Monday, in a bullish assessment of the economy's recovery so far. "Roughly half of the roughly 25% fall in activity during March and April has been clawed back over the period since," Haldane told members of Britain's parliament. "We have seen a bounceback. So far, it has been a 'V'. That of course doesn't tell us about where we might go next," he added. However, Bank of England policymaker Silvana Teneyro said she was less optimistic than BoE Chief Economist Andy Haldane about the chance of a quick economic bounce-back because she was worried about people choosing to maintain coronavirus social distancing. GBP continued to see a reprieve with EURGBP currently trading back close to the 90p handle.

Irish Economy:

COVID unemployment claims now half of peak

The latest weekly update from the Department of Employment Affairs and Social Protection showed that the number of Pandemic Unemployment Payment (PUP) recipients fell by 31,800 (9.2%) in the past week to 313,800. With a further 28,700 claimants having closed their payment claims in the past week, next week's update should show that the number of PUP claimants has more than halved since the peak of 598,000 in early May. However a further 415,000 employees remain supported by the Temporary Wage Subsidy Scheme, a number that is still creeping higher. The large reduction in the number of unemployed Accommodation and Food Service workers seen in recent weeks as the hospitality sector reopened to domestic consumers has now begun to taper, but this segment still accounted for 30% of the total closed claims in the past week. The Wholesale and Retail Trade accounted for a further 13% of the reduction, but these two sectors are still the largest in terms of number of claimants (as they were at the peak). The Construction sector has fared best with regard to people returning to work with a two-thirds reduction in the number of PUP claimants since early May. The Education sector is at the other end of the spectrum with a 23% return-to-work rate, although the 17,000 claimants represents just 9% of total employment in that sector in Q1.

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