

Market Overview



Update

23 June 2020

- **EUR / USD jumps on strong PMI data**
- **UK coronavirus rule announcements**
- **UK & Europe down / US up**
- **Irish Economy**

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EUR/USD jumps on strong PMI data :

PMI Tuesday kicked off in an upbeat fashion as the Japanese prints released overnight, provide further signs of the economy coming up off its coronavirus lows in June. The flash composite PMI rose to 37.9 in June from 27.8 in May. The recovery was driven by the services sector, whilst manufacturing dipped. Importantly though the Japanese recovery clearly still has a long way to go with index still well below the 50 breakeven mark. Next up was the French PMI, which has seen all three prints beating market expectations significantly and more importantly all three components clicked over the 50.0 expansionary mark. Strong German numbers followed shortly thereafter, taking the three components slightly over market consensus to sit in/around 45, a bit off the 50.0 breakeven mark. The benchmark EUR/USD rate has jumped back up over the \$1.13 level on the news, over 100 points from yesterday's lows. Next up we have US prints due later in the day. Here's hoping the positive trend continues, so far so good.

UK coronavirus rule announcements:

Later today, UK PM, Boris Johnson is set to announce that he has decided to reduce the 2m social distancing rule. Newspapers are rife with speculation of what conditions might be attached, with a "1-meter plus" system trailed in the Sunday Telegraph, such that people will be allowed to sit one meter apart in venues provided mitigating factors are in place – these might include face coverings, perspex screens, ventilation and strict hygiene. We will also hear more of his broader plans for the next phase of the UK economy's reopening which takes place from 4 July. This is widely expected to allow the reopening pubs, restaurants, hotels and hairdressers, subject to appropriate safety measures, whilst there is also talk that cinemas and museums will also be on the list for re-opening at this time. However the detail will be key and further documents offering detailed guidance on how hospitality and tourism venues should operate are expected to be published by the government later this afternoon. Legislation is set to be introduced to parliament this week to give pubs and cafes greater scope to set up tables on pavements after Mr Johnson ditched plans to relax Sunday trading laws. On the travel front, there are now also numerous reports suggesting Mr Johnson is close to announcing a lifting of the 14-day quarantine for travellers from Belgium, France, Germany, Greece and Spain.

UK & Europe down / US up:

This welcome news would come as the UK's daily death toll stood just 15 up on the day in the latest numbers and whilst there is weekend noise in the figures, the trend is clearly moving in the right direction. Indeed, the figure marks the lowest daily increase since 15 March - more than a week before the lockdown was announced. Similar encouraging statistics are being recorded right across Europe. In the US however, daily new case growth is fast approaching their March/April highs. Their five day average is now sitting in/around 30,000 new cases per day just shy of their March/April peaks with Florida and Texas being the States causing most concern. Back to the UK, 4-years to the day since the UK voted to leave the EU, news sources this morning are reporting that Japan has given the UK just 6 weeks to strike a post Brexit trade deal, amidst its own requirements to get a deal ratified through its Diet. The tight timescale has added to concerns the UK could be pushed into an unfavourable deal.

Irish Economy:

COVID-related unemployment to fall to 18%

The chief benefit of the government's accelerated Roadmap for the Reopening of Society and Business is that people who had been made unemployed will be able to return to work earlier and economic life can resume sooner than initially planned which should mitigate the economic damage of the pandemic.

This benefit is being seen in recent weeks in the information released by the Department of Employment Affairs and Social Protection on the number of Pandemic Unemployment Payment (PUP) claimants. The latest such update shows that 465,900 received the payment yesterday, which is a 7% reduction from the previous week and a 23% reduction from the peak number of claimants in early May. A further 30,000 have closed their payment claims and will not be included in next week's payment run. Since the high point for unemployment, the number of PUP recipients from the Construction sector has dropped by 50%, Manufacturing by 35% and the Wholesale and Retail sector by 30%. However, reflecting the nature of the economic reopening so far, the number of PUP recipients in the Accommodation/Food Service sector has fallen by less than 10% and this sector now accounts for one quarter of total PUP claimants despite it accounting for just 7% of the total workforce in Q1 this year. This sector will be one of the main beneficiaries of the start of Phase 3 of the easing of restrictions next week, although it will continue to be hampered by the continued shuttering of the overseas tourism market. Following next week's reduction in PUP claimants, the COVID-19-related unemployment rate will fall to c.18% and further reductions can be expected in subsequent weeks as economic activity awakens.

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