Market Overview

Update

25 June 2020

- **Equities higher, dollar lower**
- **IMF update**

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Equities higher, dollar lower:

Concerns over a surge in US coronavirus cases has dented risk sentiment all through yesterday's session and overnight. After all of the major European bourses closed anywhere between 2.5% and 3.5% lower, the S&P 500 closed down 2.6% whilst Asia has been weak this morning with the Nikkei off 1% and the Hang Seng down 0.5%. The Shanghai Composite bucked the trend rising 0.3%. Behind these moves has been a continuation of the recent trend of rising coronavirus cases, mainly in southern and western US states, which has contributed to the national daily increase in cases hitting 38,672 on Wednesday, the biggest increase since the start of the outbreak. The biggest increases are being seen in states such as California, Texas and Arizona. Texas, the second most populous US State, announced yesterday that intensive care units in the capital (Houston) are running at 97% capacity and are highly likely to exceed full capacity today. The rise in infections is in some cases seeing states pausing the reopening of their economies, for example North Carolina has stopped its plans on easing restrictions, whilst some northern states are implementing a 2 week quarantine for all travellers from states that are seeing high infection rates; currently this is 9 states. Meanwhile businesses such as Apple and Disney are once again closing stores or at least delaying reopening. The surge in cases and the prospect of lockdowns being re-imposed as a result are leading to some concerns that this could hamper the economic recovery. If all that wasn't bad enough, yesterday's feeling of unease was only compounded by the super gloomy updated 'World Economic Outlook', note below.

IMF update:

Yesterday the IMF released its update to April's World Economic Outlook, giving fresh forecasts for GDP growth over the coming years. As expected, this saw a significant downgrade to its near-term growth projections. The IMF now sees world output contracting by 4.9% in 2020 (prev. 3.0%), followed by a 5.4% rebound in 2021 (prev. 5.8%). Both advanced and emerging market economies saw downside revisions, but perhaps a touch more to the EM nations. The US economy is now expected to contract by 8.0% (prev. -5.9%), the UK by 10.2% (prev. -6.5%) and the Euro area also by 10.2% (prev. -7.5%). Meanwhile, the IMF still expects the Chinese economy to grow by 1.0% this year, albeit mildly downgraded from its April forecast of +1.2%. India saw the biggest downgrade in the 2020 growth forecast, now -4.5%, from +2.1% previously, as Asia's second largest economy grapples a deteriorating virus outbreak. Note however that the Indian forecast refers to the fiscal year, rather than the 2020 calendar year. The IMF cited the greater than anticipated economic impact of COVID-19 for its forecast revisions, whilst also noting the risk of hampering the progress in reducing extreme poverty, as low-income households bear the brunt of the crisis. The full World Economic Outlook Update can be found here.

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