

Market Overview



Update

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Market update:

Last week marked another unwelcome milestone in the coronavirus crisis with the total number of reported global infections surpassing 5 million. Of course the true total, in all likelihood, is much higher. Although the global case total continues to rise, much of the Western world, including the UK, Euro area and the US is now reporting falling numbers of daily infections and deaths and beginning the very gradual process of easing lockdown rules. However it should be noted that this situation is not being witnessed universally with the number of infections still rising sharply in some places, notably in Brazil and Russia. Looking forward, major focus is now firmly on work towards the advancement of an effective treatment or a vaccine. Indeed markets have been very focused on recent vaccine prospects whilst pharma giant, AstraZeneca, said late last week that it had secured orders for at least 400m doses of vaccine, as yet unproven in its effectiveness.

UK this week:

It is set to be a relatively quiet few days in the UK thanks to a shortened week courtesy of today's spring bank holiday and relatively little on the UK data calendar. The only economic figure of note is Friday's GfK consumer confidence release. We suspect we will see May's early reading drifting down to -38 from the -33 registered for late-April. Aside from economic data, in the battle against the coronavirus the development of track and trace technology will be a key focus, with this seen as important in paving the way for the next steps in the UK economy's gradual re-opening.

US this week:

Stateside, the macro calendar should be a little more interesting, albeit once things get moving after today's Memorial Day holiday. The housing market is one key area of interest with both new and pending home sales for the month of April both due, whilst house price data will also be released. Interestingly there are signs of life in the US housing market with weekly mortgage applications for house purchase rising back to levels seen at the end of 2019, despite a 34% drop during March. In addition to the housing market, the second estimate of Q1 GDP is due on Thursday. Initially, this was recorded having fallen by 4.8% on an annualised basis. Meanwhile Conference Board consumer confidence and weekly jobless claims data should provide more up to date readings of the economic situation in the second quarter.

Europe and China this week:

Within the Euro area, the Ifo survey should provide a timely update on business conditions in Germany. April's reading saw a record low of 74.3 but with lockdown measures being eased the question is whether the index will rebound in May, following the improvement in the PMIs. Aside from the Ifo, second estimates of Q1 GDP are also due from a number of member states, including France, Italy and the German print which came in as forecast (-1.9% yoy & -2.2% qoq) earlier this morning. Friday's EU 'flash' HICP inflation readings for May will also be an important monetary policy consideration, given the current economic headwinds and the fact that the ECB was already projecting an undershoot on the inflation target in two years' time. These developments could help make the case for a further policy easing from the ECB at some point. Markets will also watch closely the events at China's National People's Congress which kicked off on Friday (22 May). Key issues will be over any other stimulus hints and whether the Congress sets an economic growth target for 2020.

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