

Market Overview



Update

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Contact us:

T: +353 (0) 1 421 0091

E: treasury@investec.ie



Coronavirus update:

US stock markets finally managed a second consecutive rise yesterday, the first time we have seen this in a month. EURUSD has also traded back above 1.0900 for the first time in just over a week. This came as the US Senate unanimously backed the \$2trn fiscal package. It now goes to the House for approval, probably tomorrow. In other news yesterday we had nine EU countries calling for joint Eurozone bonds whilst the ECB said that for its Pandemic Emergency Purchase Programme (PEPP) (coronavirus QE bond buys) the issuer limit restriction will not apply, giving it more scope to flex its muscle. Today a G20 virtual Summit is taking place, with the aim of advancing the global coordinated response. The BoE also delivers its latest policy decision at midday. Whilst action in recent days and weeks reduces the chance of further action today, at the least, the BoE may wish to underscore its determination to address economic and market strains head on. There is also talk we will hear from UK Chancellor Rishi Sunak today on support for the self-employed.

US jobless claims and other data:

One further key event for today will be the 12.30pm US jobless claims figures, which could show a mind boggling leap in claimants with so many Americans on lockdown. Market expectations are for a rise from 281k last month to anywhere between one and four million. Anywhere in that range will easily eclipse the previous peak of just over 700k jobs in 1982. Given that only around half of Americans are entitled to claim jobless benefits, the true number of Americans forced out of employment in the past week will be even starker. Finally in other steers on the economic consequences of the coronavirus disruption, we saw preliminary Singapore GDP figures for Q1 overnight; these were down 10.6% on a seasonally adjusted annualised basis. This was the biggest drop for a decade. This will likely be the first in a series of shocking GDP figures released in the next few weeks. Final Q4 data such as released in the US today will be of little consequence given how much has changed since the turn of the year, but recent regional indicators such as the Kansas City Fed's manufacturing activity report are worth watching for signs of an extreme downturn in the US.

Irish Economy: Robust mortgage approvals before the shock

In one of the "pre-COVID-19" data releases that will be published in the coming weeks, mortgage approvals for February showed a good y/y increase of 9.0% by value to €825m in February with the first-time buyer segment still leading the way with a 16.4% y/y increase and accounting for 55% of total approvals by value.

The growth in the volume of mortgage approvals (i.e. number of approvals) was slower at 4.5% y/y in February, indicating that the average size of approval increased. Indeed, the average mortgage approval rose by 4.3% y/y in February with a similar rate of growth in the FTB and mover-purchaser segment. While these data are firmly backward-looking, they do indicate that the mortgage market, and the FTB segment in particular, was growing at a healthy rate before the present crisis. Taking January and February together on a y/y basis, FTB approval volumes increased by 10%, values increased by 15% and the average approval size grew by almost 5%.

While significant disruption to all parts of the economy is inevitable in the coming months, the goal of policymakers is that the solid footing that the economy had before the crisis will allow it to bounce back with minimal long-term repercussions.

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