

Market Overview



Update

27 April 2020

- [Europe prepares for lockdown exit](#)
- [Up this week](#)

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Europe prepares for lockdown exit:

Another grim milestone was reached over the weekend, with there now being over 200,000 recorded COVID-19 induced fatalities globally. Meanwhile, the number of infections should surpass the 3m mark today. The world continues to look to Europe for the blueprints of a lockdown exit. Spanish Prime Minister Pedro Sanchez announced over the weekend that Spaniards would be allowed to exercise outdoors as of Friday 1 May, following a reduction in the spread of the virus. Daily death numbers in numerous other European countries including the UK have also shown some encouraging signs in recent days. However, in the US, Friday saw an increase of c. 39,000 infections, the largest single daily rise. There are almost 1m cases in the States; New York State alone has 293,000, more than any other country in the world. On the economic fallout, Chinese industrial production figures for March released 10 days ago showed what appeared to be a rebound in activity. Industrial profits for March released this morning however were still down 35% compared to a year earlier, which could signal that an instant recovery may not be so simple. In Japan, after an unusually short policy meeting lasting for just one day, the Bank of Japan (BoJ) announced further monetary stimulus. At their scheduled monetary policy meeting this morning, it lifted its ¥80trn limit on government bond purchases, paving the way for unlimited bond buying. Although, the BoJ currently purchases way below this limit, and so the key measure to look out for from today's announcement is that on corporate bond purchases. The BoJ is quadrupling its purchases of corporate paper until September 2020. Meanwhile, it has also introduced measures to increase the ease of borrowing for Japanese commercial banks. Asian stocks have enjoyed the news. The Nikkei is 2.7% higher this morning, whilst the Shanghai Composite is also up, though by a more moderate 0.4%. Western futures point to gains at the respective opens today, particularly in Europe where EuroStoxx 50 futures suggest gains of c. 2.2% at the bell.

Up this week:

On the monetary policy side, the Federal Reserve's FOMC will meet this week, before making an announcement on Wednesday at 19:00. With rates at their lower bound and QE already effectively limitless, our expectation is that we will not see any adjustments to the main policy stance. Sweden's Riksbank will also meet in a week jam-packed with central bank decisions. The last of those will be the ECB, where the Governing Council is also meeting. We suspect that President Christine Lagarde will hold fire on rates, though we do foresee a 10bp Deposit rate reduction in June. Monetary policymakers will still be looking to their fiscal counterparts for some much-needed assistance. This week is light on UK data, with Nationwide house prices, Bank of England household credit data and the new, higher-frequency GfK consumer confidence index the only notable releases. Last Friday week (17 Apr) we had the hotly anticipated Chinese GDP figures for Q1, which showed a 9.8% quarterly fall in Chinese output. This week we will also get a good look at the output numbers in Western economies, with the US and the Euro area both reporting their Q1 GDP figures. In the Eurozone we are looking for a contraction of 3.2%; we suspect a similar profile in the US numbers.

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