Investec

# Market Overview

**Update**

27 May 2020

- **Stimulus chatter lifts mood**
- **Dollar slides as mood lifts**
- **Irish Economy**

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## Stimulus chatter lifts mood:

All the major US equity indices closed well in the green yesterday as talk of additional stimulus from Japan, US and Europe all helped to boost sentiment. The benchmark S&P index closed just over 1.2% higher and the Dow Jones nearly 2.2% higher as US Senate Leader, Mitch McConnell appears to have done a volte face in relation to his views on any further fiscal stimulus. He believes a more precise, targeted approach would be better suited to the more random $3 trillion bill that passed recently. In Europe, German ECB board member, Isabel Schnabel was equally strong in advocating further (monetary) stimulus when she said in an FT interview overnight that “the ECB will be ready to expand any of its tools in order to achieve its price stability objective”. This comes on the same day that we are due to get the release of the European Commission’s proposals surrounding the mooted European recovery fund which has caused some division between the Franco/German alliance of President Macron/Chancellor Merkel and the so called ‘frugal four’ of Austria, Denmark, the Netherlands and Sweden. The Japanese Nikkei index was also given a helping nudge higher after news emerged in Asian hours that the Japanese government is very close to rolling out another huge stimulus package, this time to the tune of just over $1 trillion. All the major European bourses are opening anywhere between 0.8% and 1.2% higher as we go to print.

## Dollar slides as mood lifts:

Given the more upbeat mood, it was no real surprise to see the almighty dollar lose some of its ‘safe haven’ sheen yesterday. The greenback sold off against most G10 currencies yesterday with the single currency pair one of the main beneficiaries as it spent the best part of the day grinding higher. After opening on Monday morning sitting well below the $1.09 level, it again turned its nose (late yesterday evening) at the pivotal $1.10 level for a third distinct time in less than a week. News that the US government were mulling over additional Chinese sanctions in the wake of their new Hong Kong security laws seems to have been the catalyst for some renewed inflow back towards the greenback

## Irish Economy:

## NAMA helps plug the funding gap

NAMA yesterday completed its final €56m payment to investors which paves the way for it to transfer €2bn of its expected €4bn surplus to the Exchequer. The payment is NAMA’s final obligation to the group of private investors and effectively buys out their 51% share in the SPV that owns the NAMA Group entities. This option was granted to NAMA under the shareholders’ agreement and the unusual ownership structure was established to ensure that NAMA’s liabilities would be considered outside of the Government sectors. The private investors paid €51m in 2010 for a 51% share of the SPV, but NAMA retained the power to veto decisions. The €2bn transfer to the Exchequer is expected imminently and will obviously assist with the country’s significant funding requirements this year.

Separately yesterday, but also helping to fill the State’s funding requirement, the NTMA issued €170m of a 100-year bond in a private placement. The ultra-long-dated note carries a coupon of 1.23% and follows a similar €100m private placement of a 100-year note in March.

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