

Market Overview



Update

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US cases continue to slow:

The number of people infected by the coronavirus has now sadly surpassed 3 million worldwide, with over 210k fatalities recorded but encouragingly the number of deaths in France, Germany, Italy, Spain and the UK has slowed to the lowest in weeks, suggesting the 'first wave' of the virus has passed. The US had its second-lowest case growth since their records started. The 2.3 per cent growth in new cases brings the US total to just shy of the 1 million mark at just over 980,000. Growth in the number of fatalities has also slowed to its second-lowest level at 2.5 per cent. New York, the worst affected region in the US has also had the second lowest daily increase in cases at 1.4 per cent. Given all the good news, it's no surprise then that most of the major global equity indices had a good day yesterday, the benchmark US S&P 500 index ended 1.5% higher as more states signalled that they would begin to ease social distancing restrictions. Texas will not renew its stay-at-home order after it expires on Thursday and will allow retail stores and movie theatres to open with occupancy initially capped at 25%. Also, Ohio will also allow general offices, manufacturers and construction companies to restart operations from Monday with consumer-facing businesses able to open their doors from 12 May.

Sunak plans JRS wind down:

In the UK, the FT reports that Chancellor Rishi Sunak has told colleagues that he is planning a "gradual" wind-down of the Coronavirus Job Retention Scheme (JRS) in order to try and avert a surge in unemployment after its scheduled expiry on 30 June. One option being discussed with businesses and trade unions would be to gradually cut the wage subsidy over a number of months, perhaps cutting it in 20ppt increments from the current 80%. The Chancellor also announced a new, fully-guaranteed 'micro-loan scheme' for businesses. Companies will be able to borrow up to £50k with the government paying the interest for the first 12 months of the loan as well as underwriting it in its entirety. Mr Sunak said the scheme would be open as of 9:00am from Monday, with the first loans likely to arrive within 24 hours. Meanwhile, on his first day back in office since recovering from the coronavirus, Prime Minister Boris Johnson asked Britons not to lose patience with the lockdown. He stated that this was the time of maximum risk, which has dampened speculation that an easing of restrictions could come as early as this week.

Fed expands MLF:

After the closing bell, the Federal Reserve announced that it would expand both the scope and duration of its Municipal Liquidity Facility (MLF). When the programme was initially announced earlier this month, its criteria stated that it would be open to counties with at least 2 million residents and cities with a population of 1 million or more (as well as US states and the District of Columbia). But it will now be offered to counties with at least 500k residents and US cities with a population of at least 250k. It has also expanded the list of securities eligible for the scheme. While it had previously offered to buy notes maturing in 24 months or less, it will now expand this to 36 months or less.

Irish Economy

Small weekly increase in unemployment claimants:

This week's update from the Department of Employment Affairs and Social Protection showed that 591,000 people are in receipt of the COVID-19 Pandemic Unemployment Payment (PUP), a modest net increase of 7,000 from last week's total. The increase stood at 50,000 last week. The relatively small increase in the number of PUP recipients indicates that the country is likely close to the peak in terms of pandemic-related jobless claims and if some sectors are allowed to return to work after May 5th, we may see the unemployment numbers begin to decline at that point (this "if" remains significant however). The small net increase should also not detract from the enormous and profound disruption to the labour market witnessed in the past several weeks. Combined with the Wage Subsidy Scheme, upwards of 850,000 people are being supported by the State as a result of COVID-19. This equates to around 35% of the pre-crisis workforce and highlights the fine line that must be tread between keeping the virus in check and reopening the economy while as many businesses as possible are in a position to re-hire.

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